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TODAY:
A Guide Course Page 8
LEISURE

Musicians

This Friday, for example, a group of fresh-faced managers hoping to be as big as the Backstreet Boys bought tens of thousands of dollars worth of studio equipment. Jonathan... a computer and interface... spent nearly six... selecting electronic equipment to play... on the Internet. And representatives of a... in South Korea bought a public ad... system.

The club's music store experience is to... and two dozens of teenagers playing... "Stairway to Heaven" on... Within a half hour of the store's... that Friday the song had already... been played twice, but a new trend seemed to... In the guitar section, many... were experimenting with alter... the music, employees said.

More strikingly, most teenagers who... through the door went not to the... but to the drum machines and... What guitar riffing was to kids in... was beat-making (programming hip-hop... rhythms) is to teenagers today.

Part of the Guitar Center's cachet is its 18... Almost all are musicians, usually... past their glory days or younger... that their big break will come... through contacts made at the G... To see a stereotypical image of the... minded musician's musician, look... the store: At one point in the store's... room, the ratio of employees will... without was 4 to 1.

My hair in a ponytail because... a professional," explained one... I want to relate to a heavy-met... I can just pop my hair out and let...

... to the store looking for CDs... that he had ordered. The store... yet and Slade was crestfallen... that he could not work without... Slade's disappointment... just bore on this relatively slow... an employee, Johnny DeLeon... the supplier's office half an hour... City to pick up the CDs and... the \$54.99 sale. Slade tried to stuff... into DeLeon's pocket, but he de...

... what led him to go so far out of his... such a small sale, DeLeon just smiled... reciting the Guitar Center... a regular guy like a celebrity...

Dissidents Openly Defy Crackdown By Beijing

Opposition Activists Set Up 5 New Branches Of Outlawed Party

By Michael Laris
Washington Post Service

BEIJING — A group of 18 dissidents on Thursday openly challenged China's ruling Communist Party by forming five new branches of the banned China Democracy Party despite a crackdown on organized dissent.

The move came on the same day as a court in the city of Hangzhou sentenced an American-educated and Spain-based dissident to a four-year prison term for sneaking back into China and giving \$1,000 to a local dissident who had earlier launched the public campaign to form the China Democracy Party.

The developments Thursday are an indication of both the tenacity of government opponents and of the government's determination to stop them. While the dissidents said that the coordinated effort by opposition campaigners in five provinces marked the beginning of the "second leg" of their effort to found the first Chinese opposition political party, the sentencing announcement is another sign that Beijing's senior leaders will brook no challenge to their monopoly on political power.

In December, the government effort to crush the nascent opposition party resulted in show trials and long prison terms for three of the party's most aggressive founders, and a "reform through labor" sentence for another activist. At least three others remain in detention.

"The people's hearts of fear are slowly disappearing," said Wang Zechen, a dissident in the northeastern Liaoning Province who identified himself as the chairman of the opposition party's provincial branch.

"This shows that the China Democracy Party has already grown deep roots on the Chinese mainland. There is no power at all which can wipe it out," he said in an interview. He has already been imprisoned twice, in the 1960s and 1970s, for his political activities.

Among the other 17 activists who identified themselves Thursday, despite the potential for government retribution, were Wang Wenjiang, a lawyer whom the police prevented from defending prominent dissidents in their trials in December. Before the move, to take a position as the "first vice chairman" of the Liaoning branch of the opposition party, Mr. Wang publicly renounced his Communist Party membership. Hu Shen, an activist who was briefly detained in China's ancient capital of Xi'an in June when President Bill Clinton visited, was also among those going public.

Dissidents say 27 party branches in provinces and cities nationwide have been launched since June.

Wang Ce, a Chinese citizen and longtime resident of the United States and Spain, was sentenced to a four-year jail term in Hangzhou for illegally sneaking back into China in October and giving Wang Youcai \$1,000.

Senate Votes Against Calling Lewinsky but Allows Tapes



Hillary Rodham Clinton speaking with the president before he addressed the National Prayer Breakfast in Washington on Thursday. Later, the Senate voted, 70 to 30, against a motion to call Monica Lewinsky as a witness in the impeachment trial. But by 62 to 38, they authorized both sides to use the videotapes of her closed-door deposition, as well as those of two other witnesses, in their closing arguments. Page 3.

Britain Cuts Interest Rates Sharply

Central Bank Moves Aggressively to Counter Economic Slowdown

By Tom Buerkle
International Herald Tribune

LONDON — The Bank of England moved aggressively Thursday to counter the slowdown in Britain's economy, reducing its key interest rate by one-half percentage point to 5.5 percent.

The larger-than-expected cut, which coincided with a quarter-point reduction by the central bank of Denmark, underscored the significant softening of economic activity and the virtual absence of inflationary pressures across most of Europe.

"Those factors kept alive expectations that the European Central Bank, which

manages monetary policy for the 11 nations that adopted a single currency Jan. 1, would lower its interest rates in coming weeks. The bank's governing council kept rates on hold at its meeting in Frankfurt on Thursday.

The European sluggishness and the prospect for lower rates stood in stark contrast to the remarkable strength of the U.S. economy.

The euro rose to \$1.1335 late Thursday from \$1.1295 on Wednesday but was still down sharply from its high of \$1.1837 reached shortly after its introduction. The pound rose to \$1.6450 from \$1.6358.

The decline of the euro is a "logical reflection" of the divergence between

U.S. and European economies, said Giles Keating, senior economist at Credit Suisse First Boston. Mr. Keating predicted that the Federal Reserve Board would signal a tighter monetary stance in coming days because of the strong U.S. economy, which grew at a 5.6 percent rate in the fourth quarter.

By comparison, many economists predict that Britain will flirt with recession in the first half of this year, with growth in the big Continental economies of Germany, France and Italy slipping to a rate of less than 2 percent, a level that threatens to trigger an upturn in unemployment.

See RATES, Page 12

One Currency, but Exchange Fee Stays

By Barry James
International Herald Tribune

BRUSSELS — The euro was intended to make it cheaper to move around Europe, right? Wrong.

To its embarrassment, the European Commission has discovered that many banks are charging as much, or more, in direct commissions to change European currencies as they did before the euro was introduced Jan. 1.

The 11 currencies making up the euro, while continuing to circulate for the next three years, are now units of the single currency, and their conversion rate to the euro has been irrevocably fixed.

Banks therefore no longer have to factor in an exchange-rate risk. The commission, the executive body of the European Union, thought that this saving should be passed on to the public, to improve acceptance of the currency.

Now the commission is being urged to investigate allegations against banks of collusion on fees for currency

exchange and cross-border cash transfers. The chairwoman of the European Parliament's monetary subcommittee, Christa Randzio-Plath, has written to Karel Van Miert, EU competition commissioner, and to Dieter Wolf, the top German antitrust official, seeking an inquiry.

Most banks now charge direct commissions to compensate for the fact that they can no longer exploit the spread between selling and buying rates for different currencies. In Germany, for example, banks charge a flat rate of 3 percent on the total amount transacted.

The European Banking Federation argues that despite the added commission, the overall cost of changing one euro currency into another has gone down by amounts ranging from about 20 percent in France to 50 percent in Ireland.

The European Commission is nevertheless unhappy. It concedes that banks should be able to charge a handling fee to cover their costs. But it expressed concern "that these fees are much higher for cross-border transfers as compared to domestic ones."

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Hussein, Critical, Heads for Jordan

Organ Failure in U.S. Follows Transplant of Bone Marrow

By William Orme
New York Times Service

AMMAN — In what his countrymen feared would be the final flight of his life, King Hussein departed the Mayo Clinic in Minnesota on Thursday after an apparently failed bone marrow transplant and was put on a plane for Jordan.

The news that the king, 63, may have lost his long battle with lymphatic cancer stunned already shocked Jordanians, who just three weeks ago had given him a triumphal welcome home amid upbeat official reports of a nearly complete recovery.

The celebratory national mood was punctured on Jan. 25 by the announcement that the king was suddenly returning to the clinic and naming his eldest son, Abdullah, as his heir, in an unexpected ousting of his brother Hassan, who had been his constitutionally designated successor as crown prince for 34 years.

The Associated Press in Amman reported that it received a faxed statement from King Hussein's private physician, Lieutenant General Samir Farraj, that the king's condition had "become critical due to the failure of the function of internal organs."

"Based on that, and based on his majesty's wish, a decision has been taken to return to Amman," General Farraj said.

Jordanian government spokesmen said Thursday night that they could neither confirm nor deny broadcast reports in the region that the king had lost consciousness and that there were concerns he might not survive the long flight home.

In a brief statement read on state television, the Jordanian royal family confirmed only that King Hussein had left the hospital and would be returning home Friday morning.

The king would be brought directly from the plane to the King Hussein Medical Center, an army hospital, the statement said. "I think it is obvious what this means," a family spokesman in Amman said.

For the last week, Jordan has been gripped by the political spectacle and family drama of the sudden transition in the crown prince's office from the internationally respected 51-year-old Hassan to the 37-year-old Abdullah, an army brigadier general of considerable personal charm and professional military accomplishment but almost no experience in politics or diplomacy.

Still not widely recognized by the Jordanian public, Crown Prince Abdullah had just begun leading cabinet meetings and welcoming a parade of foreign well-wishers from Secretary of State Madeleine Albright to Yasser Arafat to Gulf sultans.

Now Jordanians are confronted with the imminent possibility of the country's first monarchical succession in 47 years, unnerving ordinary citizens here and the country's neighbors alike.

Visitors to Amman in recent days are



King Hussein of Jordan last month.

Serbia Orders Delegates to Kosovo Talks To Be Tough

Compiled by Our Staff From Dispatches

BELGRADE — Serbia's Parliament voted overwhelmingly Thursday to send delegates to peace talks on Kosovo set for Saturday but said they should take a tough stand once they got there.

In Washington, President Bill Clinton said the United States was seriously considering participation in an international peace force on the ground in Kosovo province.

After the Belgrade vote, the parliamentary speaker, Dragan Tomic, said the outcome had underlined Serbia's unified stance.

"We reaffirmed our unity and determination to resolve the problems of Kosovo through dialogue," he said, adding that there were two basic principles: that the problem be resolved peacefully and that the sovereignty and territorial integrity of Serbia and Yugoslavia be preserved.

Those principles were at odds, however, with the peace proposals that will be on the table this weekend at the chateau in Rambouillet, near Paris. The proposal would virtually end direct Serbian control of Kosovo, whose ethnic Albanian majority would attain broad autonomy within Yugoslavia.

Serbian deputies voted 227 to 3, with three abstentions, to send delegates to the talks.

The 12-page motion in Belgrade ruled out the deployment of NATO troops, widely seen in the West as essential for any agreement.

"We do not accept foreign troops in our territory under any pretext of implementing an agreement that is reached," the Parliament said.

The Serbian deputy prime minister, Vojislav Seselj, who heads the ultra-nationalist Radical Party, part of Serbia's ruling coalition, was even blunter, saying that if NATO sent troops, they would have to fight their way in.

"We will use all means to prevent the arrival of NATO troops in Kosovo," he declared. "There is no way that the troops of NATO can be deployed in Kosovo in a peaceful way."

Serbia held its parliamentary debate two days before a deadline to attend talks or face NATO air strikes.

Mr. Clinton, meanwhile, said the United States was "seriously consid-

The talks will convene in a setting a world away from Dayton. Page 10.

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A New Palestinian Power: Mrs. Arafat

Former Guerrilla's Wife Is Popular and an Adherent of Tough Policy

By Deborah Sontag
New York Times Service

GAZA CITY — Suha Arafat, the first lady of the Palestinian territories, maneuvered her blue BMW through the chaotic streets of Gaza City, blond hair flying as she dodged donkeys and peddlers.

Behind and beside her, security cars struggled to keep her shielded as people stopped on the street to stare.

A woman at the wheel is a strange enough sight in this poor, Islamic society, but Mrs. Arafat chaffs herself.

Sitting in a bodyguard's lap, her daughter, Zahwa, bilingual in French

and Arabic, chattered away until they rounded a corner under a giant billboard of Yasser Arafat. "Papa!" she said merrily, looking herself like the image of the Palestinian leader — if he could be imagined as a 3-year-old girl with a blonde hair ribbon.

"She is totally her father," Mrs. Arafat said. "A real authoritarian."

Mrs. Arafat, 35, would seem an unlikely partner for the 69-year-old Palestinian revolutionary, who remains forever wedded to his cause.

She was raised in a well-off home in the West Bank, educated by nuns and refined at the Sorbonne. Her black patent leather high heels clash with his combat boots. And her deep-seated

Christian faith and Western assertiveness seem at odds with his world: desperate Gaza with its veiled women.

But in ideology, Mrs. Arafat, whose husband had an appointment to meet Thursday with President Bill Clinton in Washington, is every bit the fiery Palestinian freedom fighter. And if there is such a thing as pillow talk in their modest residence, where the spartan first floor is his and the stately second-floor extension belongs to her, Mr. Arafat surely gets an earful.

Mrs. Arafat is a merciless critic not of her husband but of his government, willing to do battle on Palestinian tele-

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Suha Arafat with her daughter, Zahwa, out for a drive in crowded Gaza, where it is rare to see a woman behind the wheel of a vehicle.

Average Malaysians Ask: 'What Crisis?'

By Thomas Fuller
International Herald Tribune

ALOR GAJAH, Malaysia — It has been 18 months since Harris Aziz and his family began hearing the words "economic crisis" and by now one might have expected them to be feeling the pinch.

Yet, on a recent morning, when Mr. Harris, 42, his four brothers and their younger sister came together from around Malaysia for a reunion at their parents' wooden still house here, family members said little had changed in their lives since the onset of the crisis.

No one with a job had taken a pay cut — their professions range from banking to shipping to teaching to manufactur-

ing herbal medicines. On the contrary: Mr. Harris' brother, Rahmat, 33, recently changed jobs because the bank he was working for did not give him a big enough bonus.

The youngest sibling, Rozilawati, 26, was laid off a year ago from a company that sells books. But that did not stop her and her husband from buying a \$1,000-ringgit (\$13,500) car a week before attending the family reunion. She has since found another job.

Looking at Mr. Harris' extended family, one might be tempted to question the notion of an economic "crisis" in Malaysia.

A year and a half after the onset of what was billed as this country's worst economic turmoil since independence in

1957, investors and corporate high-fliers have been brought down to earth. But the financial turmoil has been far from devastating for the average Malaysian.

The unemployment rate hovers at about 5 percent, twice the rate of the boom years, yet the country has a million foreign workers filling jobs necessary to keep the economy moving. The official inflation rate is also about 5 percent, much higher than in most developed economies, but hardly hyperinflation. The value of both the stock market and the ringgit plunged sharply in the first month of the crisis, but now the currency is pegged to the dollar and stocks have registered sharp gains since September.

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Newsstand Prices

Andorra	10.00 FF	Lebanon	11.3,000
Antilles	12.50 FF	Morocco	18 Dh
Armenia	1.800 CFA	Cote d'Ivoire	10.00 CFI
Bahamas	10.00 FF	Reunion	12.50 FF
Bahrain	10.00 FF	Saudi Arabia	10 SR
Belgium	1.100 CFA	Senegal	1.100 CFA
Belize	1.000 CFA	Spain	250 Ptas
Bhutan	1.250 Dh	Tunisia	1.250 Dh
Bolivia	1.250 JD	U.A.E.	10.00 Dh
Bosnia	700 Fils	U.S. M.L. (Est.)	\$1.20

The Dollar

New York	Thursday @ 4 P.M.	previous close
Euro	1.1335	1.1295
Pound	1.645	1.6358
Yen	112.025	112.975
DM	1.7255	1.7303
FF	5.787	5.8031

Dollars per pound and per euro.

The Dow

Thursday close	percent change
-82.31	9,304.50 -0.67%
-23.58	1,248.49 -1.85%
-82.87	2,410.54 -3.32%

S&P 500 Nasdaq

AGENDA

U.S. Is Beefing Up Embassy Security

WASHINGTON (AP) — Security at U.S. embassies has been beefed up considerably since terrorist attacks in August on two embassies in East Africa, but the dangers remain high, Secretary of State Madeleine Albright told Congress on Thursday.

"We have decided there is no such thing as a no-threat embassy," Mrs. Albright said as she testified before a Senate Appropriations subcommittee on terrorism. "Certainly no single arrest or shutdown of a terrorist operation will be sufficient."

THE AMERICAS

Senate Votes Not to Call Lewinsky for Testimony

By Brian Knowlton
International Herald Tribune

WASHINGTON — The Senate voted Thursday not to call any live witnesses — on a motion that sought only the appearance of Monica Lewinsky — thus keeping the impeachment trial of President Bill Clinton on a quick track toward what the majority leader said would be a "constitutional and fair conclusion" by Feb. 12.

The vote to subpoena Ms. Lewinsky for up to eight hours of questioning on the Senate floor failed by 70 to 30. Republicans were deeply divided on the question, with 30 supporting an appearance and 25 opposed.

The 45 Democrats, who had said witnesses would needlessly prolong the historic trial, were united in opposition. The motion required a majority of 51 votes to pass.

By 62 to 38, the Senate then authorized both sides to use the videotapes of Ms. Lewinsky's closed-door deposition, as well as those of two other witnesses — Vernon Jordan Jr., a Clinton adviser, and Sidney Blumenthal, a White House aide — in their closing arguments.

A Democratic motion to foreclose the trial by beginning closing arguments immediately failed on almost precisely partisan lines. All 55 Republicans opposed it, while 44 of 45 Democrats supported it. Senator Russ Feingold, Democrat of Wisconsin, who voted with Republicans on earlier motions in the trial, did so again.

The votes underscored the strength of Democratic opposition to Mr. Clinton's removal and the near certainty that he will be acquitted. It would require 67 votes to convict him and make him the first president thus forced from office.

The votes also appeared to reflect growing weariness, division and resignation among Republicans.

The majority leader, Senator Trent Lott of Mississippi, voted to call Ms. Lewinsky to testify. But earlier he said the trial could be concluded by Feb. 12, and possibly even a day earlier.

Several Republicans indicated earlier that they would join the 45 Democrats in opposing testimony by witnesses on the Senate floor.

"I don't think there's anything to add by calling them in," said Senator Ted Stevens, Republican of Alaska.

Many senators have privately viewed

videotapes of Ms. Lewinsky's closed-door deposition Monday and said they included no dramatic revelations.

Senators also voted unanimously to admit into the official trial record the depositions of Ms. Lewinsky, Mr. Jordan and Mr. Blumenthal. All were interviewed in closed-door sessions by House prosecutors this week.

The House members prosecuting the articles of impeachment against the president originally wanted to call as many as 15 witnesses. Under severe pressure from an impatient Senate, they reduced their list to three.

But with most senators now certain that Mr. Clinton will be acquitted, the prosecutors' push for witnesses lost steam. By naming only Ms. Lewinsky, the former White House intern at the center of the yearlong scandal, the prosecutors appeared to be taking a long-shot effort to show that minds still could be changed.

Representative Ed Bryant of Tennessee, the prosecutor who led the videotaped questioning of Ms. Lewinsky on Monday, said that the young woman he met with that day appeared far different from the more-open witness he had

talked to eight days earlier.

On Monday, he said, she was "very guarded" and not "fully responsive."

"She didn't volunteer her story" and was "almost protective," Mr. Bryant said. "Her words were carefully chosen and relatively few." He spoke of what he perceived as her "continued admiration for the president, her desire to protect him."

Before the Senate, Mr. Bryant argued, a very different witness might emerge.

Gregory Craig, a member of the White House defense team, told senators: "Live witnesses will not advance the factual record. We have known the facts for many months."

Calling witnesses he said, "will not be quick and it will not be easy" and would prevent the trial from being concluded by Feb. 12.

Mr. Lott said the trial would be in adjournment Friday, then resume Saturday, when both parties will present evidence. After adjournment Sunday, it will resume Monday for closing arguments.

Beginning Tuesday, each of the 100 senators will be given up to 15 minutes to explain his or her stance.

Depending on how long each member speaks, final votes on the articles of impeachment will be held Thursday or Friday.

In another partisan split, Republicans and Democrats increasingly have broken along party lines on the idea of a "finding of fact" declaration against the president, and a fierce struggle continued Thursday, part of it in public view. Democrats, including their Senate leader, Tom Daschle, have declared the proposal to be unconstitutional.

"The Democrats have blocked it," said Senator Larry Craig, Republican of Idaho. "We don't want this to break into a partisan melee."

Another Republican, Senator Phil Gramm of Texas, said the constitution allowed no option in a presidential impeachment to vote to convict or acquit. "The way out is to vote 'guilty' or 'not guilty' and live with it," he said, echoing the stance of many Democrats.

The president's spokesman, Joe Lockhart, warned that accepting the "finding of fact" approach would be to "trample on the constitution."

Asked about Republicans' concerns that Mr. Clinton might portray an acquittal in the trial as a vindication, Mr. Lockhart replied, "I now declare, in a post-impeachment era, this a gloat-free zone."



Former Vice President Dan Quayle announcing in Indianapolis his formation of an exploratory committee on running for president.

Right's Litmus Test
Conservatives Ask Presidential Aspirants
Where They Stand on 'In God We Trust'By Richard L. Berke
New York Times Service

WASHINGTON — As Republican presidential prospects for 2000 compete with one another to demonstrate their conservative bona fides, it can sometimes be difficult to decipher the genuine article.

But on Wednesday, the Committee to Restore American Values tried to do just that. The coalition of conservative leaders, including Paul Weyrich and Phyllis Schlafly, interviewed a half dozen possible candidates in closed-door meetings at a Washington hotel and asked them to fill out a detailed questionnaire in the next several days.

The contenders were quizzed on matters small and large, including whether the words "In God We Trust" should remain on U.S. currency.

Among the other questions: "Do you normally call games of chance 'gambling' or 'gaming'?"

"Would you support a removal of the words 'under God' from the Pledge of Allegiance?"

"Should a constitutional amendment guaranteeing the right to life be enacted?"

"What commitments relative to abortion would you require from appointees to the Supreme Court or lower federal judiciary positions?"

"Do you believe gun control reduces crime?"

In a reference to a nativity display, the contenders were asked, "Would you place a crèche on the White House lawn if ordered to refrain from doing so by the Supreme Court?"

Several candidates sought the group's support. They included Senator Bob Smith of New Hampshire; Representative John Kasich of Ohio; Steve Forbes, the publishing magnate; Gary Bauer, former head of the Family Research Council; and Alan Keyes, a former State Department official. Former Vice President Dan Quayle spoke to the group by telephone.

Bank Linked
to Nazi Funding

relations. Diplomats are seeking a treaty to deal with a separate set of damage claims from elderly survivors of Nazi slave labor. Those talks are aimed at the creation of a "humanitarian fund," jointly set up by German industry and government, to pay out claims and stem the tide of new lawsuits from slave labor survivors.

The chief executive of Deutsche Bank, Rolf Buerer, said he supported Bonn's efforts to find a "comprehensive solution" in the negotiations with the United States and Israel. "The involvement of Deutsche Bank in the Nazi regime is a cause of deep consternation for us," Mr. Buerer said in a statement.

In their rush to internationalize their operations, German companies increasingly have opened their archives and shed light on the grim chapters of their history. Dresdner Bank last month released the first findings of its own independent panel of historians charged with looking into Nazi-era dealings.

Even General Motors Corp. has appointed a historian to study the Nazi activities of its German subsidiary.

It could take 10 years, more to sort through the Deutsche Bank archives, Mr. Pohl said. With the opening of the Berlin Wall and new records found in Eastern Germany, the archives now cover 95 kilometers (6 miles) of shelf space.

France Finds
Jewish Assets
Seized in WarBy Craig R. Whitney
New York Times Service

PARIS — A government-appointed panel examining the seizure of assets from Jews in France during World War II has reported finding \$2.9 million taken from deportees to Nazi death camps that was never claimed and remains in a government bank.

In the second interim report since a war set up in 1997, the nine-member panel, headed by a prominent banker and Resistance veteran, Jean Maréchal, recommended that if the money remains unclaimed, it should go to a government fund to expand the Memorial to the Victims of the Holocaust in Paris.

The panel also recommended the thousands of seized paintings and other art works in museums and French diplomatic and government buildings be returned to their rightful owners or heirs.

At least two-thirds of the roughly \$1 billion worth of Jewish property that was seized in France was returned to its original owners in the first two years after the war, the panel said.

But after 1948, postwar French authorities turned to other things, and the issue of remaining unclaimed Jewish assets sank into the background.

However, public outrage half a century later prompted by the discovery that French museums were holding works of art whose rightful owners they had done little to try to find and by charges from Jewish groups that the French had profited from deposits of gold and cash that belonged to people killed in Nazi concentration camps.

After President Jacques Chirac declared some of his predecessors had done no and publicly acknowledged the country's role in the Holocaust, the government decided to find out how much injustice still remained.

Of the 75,721 Jews the French deported to Auschwitz, only 17,000 survived. Not just the collaborators but the Vichy government itself had been guilty of crimes against humanity in helping the Germans persecute Jews on French soil, the government decided to find out.

The total population of Jews in France during the war is estimated at 300,000. Daniel Lebeaux, the head of the government bank where the funds are held, said the Chirac de Gaulle and Chirac would cooperate fully in returning funds to their rightful owners.

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DeLay's Truthfulness Under Fire

WASHINGTON — Representative Tom DeLay, the Texas Republican who helped lead the charge for impeachment with criticism of President Bill Clinton's truthfulness, has become embroiled in a dispute about his own veracity in a sworn statement.

Robert Blankenship, a former business partner of Mr. DeLay's, and his attorney, Gerald DeNisco, said in interviews Wednesday that it was hypocritical for the House majority whip to attack Mr. Clinton's integrity given what they said were the congressman's own evasions and misstatements in a civil deposition five years ago.

Mr. DeLay denied under oath in a 1994 deposition for a lawsuit brought by Mr. Blankenship that he was head of Albo Pest Control Co. He reported to Congress at the same time that he was chairman of the firm, according to a recent report in the New Republic. The Hill newspaper reported Wednesday that an examination of other documents in the court case indicated that Mr. DeLay made other misstatements about the amount of money he was receiving from the company and also about the amount of speaking fees he collected in the late 1980s.

Mr. DeLay declined to address the reported discrepancies. His spokesman, Michael Scanlon, said: "It's pretty obvious that there are people who are doing everything they can to make Tom DeLay look bad. There's more to this

story than meets the eye. And it will become apparent in the future. In the meanwhile, we choose to sacrifice the public relations aspect for the eventual truth." (WP)

Chelsea Article Saddens Clintons

WASHINGTON — President Bill Clinton and his wife, Hillary, say they were "profoundly saddened" by People magazine's decision to run a cover article on their daughter, Chelsea, in its next issue.

Neither People magazine nor the White House would discuss the article in detail Wednesday night, although the magazine issued a statement making it clear that the article, entitled "Grace Under Fire," is about Miss Clinton's relationship with her mother.

"There is a great deal of admiration for this mother-daughter relationship," Carol Wallace, the magazine's managing editor, said in a recorded statement released by a spokeswoman. "Over the years, we have written about the White House in good times and bad." Explaining its decision to feature the Clintons' daughter, Ms. Wallace said Miss Clinton is "nearly 19 and a poised young adult."

The president and Mrs. Clinton issued a statement saying they "deeply regret and are profoundly saddened" by the magazine's decision. For the six years of the Clinton presidency, the statement said, the media have generally respected Miss Clinton's privacy. (NYT)

John Service, an 'Old China Hand' Purged in McCarthy Era, Dies at 89

By John Kifner
New York Times Service

John Service, 89, the first of the "old China hands" purged from the State Department in the McCarthy era, died Wednesday in Oakland, California.

As a young Foreign Service officer in World War II he filed prescient reports

on the rival forces battling the occupying Japanese — Chiang Kai-shek's nationalists and Mao Zedong's Communists, and observed the corruption and weakness of the former. But after the war, as what became known as the China lobby swung U.S. policy strongly behind the failing Chiang government — the Communists gained full control

of the mainland in 1949, driving the remaining nationalists to Taiwan — much of the blame fell on what was said at the time to be a pro-Soviet conspiracy in the State Department.

Mr. Service once predicted wryly that although he never used his middle name, only the initials, his obituary would identify him not only as an official once accused of espionage, but as "John Stewart Service."

The accusers of those men spelled out their full names, and so they went down in history: John Stewart Service, John Carter Vincent, John Paton Davies, Oliver Edmund Clubb. All were forced out of the Foreign Service. All were

eventually vindicated but neither they nor, some thought, the Foreign Service itself, ever fully recovered.

Their ordeal actually began during World War II in the efforts of a U.S. mission led by General Joseph (Vinegar) Stilwell to expand the Chinese war effort against Japan. The China experts traveling through the areas controlled by various warlords reported that Chiang Kai-shek's Nationalist party, the Kuomintang, was dragging its feet, reserving its U.S.-supplied arms for an eventual showdown with the Communists.

The old China hands predicted that in such a fight, the Communists would win. They called instead for American

pressure on Chiang Kai-shek to reform his government and direct his forces against the Japanese, in cooperation with the Communists and under American command.

Mr. Service was born in China of missionary parents. After a brief stint in a bank, Mr. Service joined the Foreign Service, and when the Japanese entered Beijing, he escorted American refugees through the lines to safety.

He was assigned to the new Nationalist capital at Chungking as a political officer in 1941. His job was to gather information from all factions and parties, including the Communists. He gave briefings to visiting American

journalists, including Theodore White and Eric Sevareid. Those activities were later cast in a controversial light.

Yu Qiuli, 85, China Politician

BEIJING (AP) — Yu Qiuli, 85, a survivor of the Communist Party's epic Long March who rose to be deputy prime minister, died Wednesday, the official Xinhua news agency said.

Mr. Yu lost his left arm following one of many battles during the Long March, the yearlong, 10,000-kilometer (6,250-mile) retreat by Communist guerrillas fleeing the Nationalist government's efforts to exterminate them.

A Fractious Congress Presents
Problems for Brazil's PresidentBy Diana Jean Schemo
New York Times Service

BRAZILIA — A raft of newly elected members of the Brazilian Congress switched parties just before taking office here this week, in a move that appears to signal a more fractious second term for President Fernando Henrique Cardoso as he forges ahead with unfinished changes.

Some deputies, belonging to the evangelical Christian movement, dropped the powerful conservative party that had delivered the votes for their elections, joining a smaller party in which they could hold more sway. They promised a more critical stance toward Mr. Cardoso's proposals for change.

Several legislators from the state of Minas Gerais switched to the party of the state governor, Irandeu Franco, who is in the middle of a battle of nerves with Mr. Cardoso. Mr. Franco declared a moratorium last month on his state's debt payments to the federal government,

shattering Brazil's already fragile credibility in world markets and unleashing the latest round of economic turbulence.

Mr. Cardoso is waging an all-out campaign to put the faltering economy back on course, bolstered by a \$41.5 billion standby loan from the United States, the Group of Seven leading industrialized nations, the International Monetary Fund and other lending agencies.

The Brazilian Democratic Movement Party of Mr. Franco is split between those who support him and those who back Mr. Cardoso. Mr. Franco is widely seen as a likely presidential contender four years from now.

Although Mr. Cardoso's coalition enjoys a comfortable majority of about 380 among the 513 deputies in the House, some important parties in the coalition have disparate factions.

Even Mr. Cardoso's Brazilian Social Democracy Party shows signs that the ready congressional support he enjoyed during his first term will not last long into his current term.

Aide Who Used the Word 'Niggardly' Is Rehired

By Yolanda Woodlee
Washington Post Service

WASHINGTON — Mayor Anthony Williams has announced that he will rehire an official who resigned last month because some city employees were offended that the aide had used the word "niggardly" in talking about managing a tight budget.

The mayor, whose quick acceptance of David Howard's resignation led to a nationwide debate over racial sensitivity and political correctness, indicated in a statement that he had made a mistake and "acted too hastily" in allowing Mr. Howard to resign as head of the city's constituent services office.

The mayor said an internal review had "confirmed" for him that Mr. Howard did use the word "niggardly" but did not use a racial epithet during a discussion Jan. 15 with two employees of the Office of the Public Advocate.

"Niggardly" is of Scandinavian origin and means

"stingy" or "miserly," with no racial connotation. Mr. Williams said one of the employees, identified as Marshall Brown, had interpreted Mr. Howard's use of the word as a racial slur against blacks. Mr. Brown has declined to comment.

In a private meeting Wednesday, Mr. Williams asked Mr. Howard to return to the Office of the Public Advocate. He declined but said he would accept a different post in the mayor's administration.

Mr. Howard, 44, said he had never felt "victimized" but said the experience had given him "a certain awareness" he did not have before.

"I just feel very pleased that this whole thing has a silver lining," he said. "The silver lining is that this has led to a discussion that can help everyone understand each other better."

Mr. Howard's resignation made his plight the subject of dozens of television and radio broadcasts and newspaper columns across the United States. Locally, it focused attention on Mr. Williams's

discomfort over criticism by some black residents that he had brought in too many white department managers who had little understanding, the critics say, of the black community.

Mr. Williams also came under criticism from gay activists for having allowed Mr. Howard, who is a homosexual, to resign.

Many of those who blasted the mayor focused on the way he had handled the dispute and his quick acceptance of Mr. Howard's resignation before reviewing the circumstances.

Political pundits and linguists alike debated whether an employee's resignation should be accepted merely because a fellow worker did not understand a word used in a conversation.

"While it is important for a mayor — or any leader — to act decisively, make bold decisions and create a sense of urgency, it is not always necessary to act hastily," Mr. Williams said. "I believe I acted too hastily in accepting David's resignation."

The Fur Is Flying

Swank Beverly Hills to Hold Vote
On 'Truth-in-Slaughtering' Label

Washington Post Service

BEVERLY HILLS, California — The labels at the Edwards-Lowell fur salon here give shoppers all that the store's sales director, Fredric Brewer, says they want to know about that coat on the rack: Natural Fox. From Finland. For \$8,900.

But now, this enclave of wealth and privilege may become the first city in the United States to require furriers to affix additional tags to their wares to inform consumers of the methods used to kill the animals whose pelts they desire. If approved by the voters in a city election, the new labels would read: "Consumer notice: This product is made with fur from animals that may have been killed by electrocution, gassing, neck-breaking, poisoning, clubbing, stomping or drowning and may have been trapped in steel-jaw leghold traps."

After a three-hour session Tuesday night with dozens of speakers, the Beverly Hills City Council voted to place such a truth-in-slaughtering initiative on the ballot for a special election scheduled for May 11.

The controversy is the latest in a long-running campaign by animal-rights activists and others to put the fur industry out of business or force its farmers and trappers, here and abroad, to start dispatching animals in more humane ways.

Chavez Seeks Rewrite of Constitution

New Venezuela President Calls for Changes to All Parts of Government

By Clifford Krauss
New York Times Service

CARACAS — In his first hours in office, President Hugo Chavez Frias sent tremors through the political establishment by moving to rewrite the constitution in a process that is highly likely to replace the newly elected Congress with one that has more of his allies.

For Mr. Chavez and his supporters, the 1961 constitution is a symbol of a corrupt political system that has fed popular resentment and apathy. It was written by leaders of the two traditional parties, Democratic Action and Copei, to keep Marxist groups aligned at the time with Cuban-backed guerrillas out of the political process.

Now, Marxist and socialist groups in the coalition that elected Mr. Chavez sorely want to replace the document. As he took his oath of office Tuesday, Mr. Chavez called the constitution moribund even as he pledged to uphold it.

"The constitution, and with it the ill-fated political system to which it gave birth 40 years ago, has to die," Mr.

Chavez said in his address. "It is going to die, sirs. Accept it!"

In the campaign leading to his landslide victory in December, Mr. Chavez said that he wanted to replace the ban on presidential re-election, opening the way for him to run for a second five-year term in 2003. That led to warnings from opponents that Mr. Chavez, who as an army officer started an unsuccessful coup against the civilian government in 1992, was still a power-seeking authoritarian.

Mr. Chavez also said he hoped that a new constitution would take politics out of the judiciary by replacing the congressional appointment of judges with one based on selection by a board of legal scholars. He expressed hopes that a new constitution would also replace the system in which party bosses manage the selection of congressional candidates and then control their votes.

On Tuesday, Mr. Chavez issued the referendum decree, saying that Congress should focus its energies on economic policy. His decree set in motion a year of campaigning over three refer-

endums, one on whether to rewrite the constitution, a second to elect delegates to the assembly that would rewrite the constitution and a third on ratifying it.

Some opposition leaders criticized Mr. Chavez for circumventing Congress.

But most, apparently reluctant to take on Mr. Chavez at the height of his popularity, had words of mild praise.

"This is a government that needs cooperation," said Alcibiades Castro, congressional leader of Copei.

Mr. Chavez hopes that a series of ballot victories over the next year will bolster his support among voters as he proposes unpopular measures like slashing government payrolls and imposing new taxes.

Many legislators, all elected to five-year terms, are expected to resign to run for the assembly. Mr. Chavez's coalition holds about a third of the seats in each chamber.

"President Chavez believes by making the Congress more representative it will be more favorable to him," a Western diplomat said. "This process gets him off to a very powerful start."

Away From Politics

• The Armed Forces Recruiting Center at the heart of Times Square in New York was dismantled after 50 years to make way for a high-tech version more in tune with the glitzy makeover of Times Square. Before it closed in July, the cramped booth set national records for enlistments, some 10,000 a year, even though its recruiters rejected 9 out of 10 applicants for age, medical problems or other reasons. (AP)

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In Sukarno Heir's Soft Approach to Presidency, Detractors Find a Sore Point

By Keith B. Richburg
Washington Post Service

JAKARTA — Megawati Sukarnoputri says she was in grade school when she realized that she lived a privileged life in the presidential palace — as the daughter of Sukarno, Indonesia's founding father and first president.

"I knew only since elementary school exactly who I am," she recalled recently. "I knew I had a big house — I didn't know it was a palace."

Mrs. Megawati, 51, is hoping to return to the palace her family left more than three decades ago. Her Indonesian Democratic Party is widely considered the country's most popular, and she is considered an early front-runner to become president after legislative elections scheduled for June 7.

But first Mrs. Megawati has to overcome a nagging problem. Her detractors, particularly members of Jakarta's intelligentsia — the journalistic and

academic establishment — deride her as too cautious, too soft-spoken, too maternal in her demeanor. She lacks, they say, a grand vision of where to take Indonesia and how to lead the country out of its economic morass.

It is a criticism that ranks Mrs. Megawati's top aides. "We have grassroots support, but not the students and intellectuals," said Kwik Kian Gie, her economics adviser. "The only group that is difficult and doesn't want to understand is that group of intellectuals."

Asked about accusations that Mrs. Megawati lacks vision, Mr. Kwik said: "We hear that, too. But we ask them, 'What kind of vision do you have?'"

Mr. Kwik said the reason Mrs. Megawati had not articulated any bold new plans was simple: There were no new solutions for Indonesia's problems, other than simply following the familiar economic orthodoxy of the open marketplace and the prescriptions of the International Monetary Fund.

It is a philosophy to which even former President Suharto publicly adhered, while privately allowing corruption to eat away at the system and erode the country's earlier, much lauded economic gains.

"There's a reason we don't talk too much," Mr. Kwik said. "If people ask us, especially the foreigners and diplomats with whom we can be more or less honest, our answer is very simple: We don't want to reinvent the wheel."

He said, "The written speeches of Suharto were all very beautiful, but they were not implemented." The difference with Mrs. Megawati, Mr. Kwik said, is that she will carry out the policies without the corruption. "In our case," he said, "we will be very, very clean."

Mrs. Megawati is characteristically taciturn when asked about the vision issue. During an interview over lunch at a downtown restaurant, she smiled and said only, "Wait and see."

As the campaigning begins, Mrs.

Megawati exudes a quiet confidence about her party's chances. The Indonesian Democratic Party has an estimated 30 million members nationwide, she said, with 311 branches in the country's 27 provinces. She said she was not worried that the proliferation of parties, as many as 200 at last count, would atomize the vote that the next Parliament would be too fragmented to coalesce behind a presidential choice.

She said she agreed with many foreign diplomats who said the election period was far too compressed.

But the dilemma for Indonesia is whether to press ahead with elections that may be flawed and establish a new government quickly with a popular mandate or to take a few extra months to prepare under B.J. Habibie's unpopular transitional government of Mr. Suharto holdovers, thereby delaying the start of an economic recovery.

"It's too short," she said of the election timetable. "But this nation has a

very crucial problem. If we make it too long, the crisis — and it's a total economic crisis — will continue. How can we manage until we establish the real government of Indonesia?" She added, "Can you guarantee that if the election period is prolonged, it will be better?"

Mrs. Megawati owes much of her popularity to an affinity for her late father, Mr. Sukarno, who was ousted by Mr. Suharto in a de facto military takeover in 1966.

On the surface, this affection for Mr. Sukarno might seem odd, since it appears mostly among a younger generation not old enough to remember his sometimes chaotic rule. Also, for the last 32 years, Mr. Suharto has tried systematically to write his own version of history, playing down and at times effacing the accomplishments of the man he deposed.

Referring to Mr. Sukarno by his nickname, Brother Karno, Mrs. Megawati said Mr. Suharto's efforts to erase her

father's legacy might be partly responsible for the current "Bung Karno" revival. "That is why people want to know: 'Who is that man; why does he get that treatment?' Young people know he is our founding father."

As a woman and a popular opposition leader with a famous name vying for the presidency, Mrs. Megawati is sometimes compared to Corason Aquino, who replaced President Ferdinand Marcos when he fled the Philippines. But Mrs. Megawati dismisses the comparison. "I'm always telling people, 'please, no! I'm not Cory.'"

In seeking to reclaim the presidential palace where she lived as a child, Mrs. Megawati says she is not out for retribution against Mr. Suharto. At most, she says, she wants a revision of the country's official history, so that her father is accorded his proper place in history and some of the mysteries of his ouster and death are laid to rest. "There are so many missing links," she said.

Jakarta Woos East Timor On Autonomy

Compiled by Our Staff From Dispatches

JAKARTA — Foreign Minister Ali Alatas of Indonesia said Thursday that East Timor could set up its own political system, including its own Parliament and elections, if the territory accepts Jakarta's offer of special autonomy.

East Timor could choose its own banner while retaining under the Indonesian flag, Mr. Alatas said, while outlining for the first time details of the autonomy package.

Indonesia is trying to encourage East Timor, a former Portuguese territory, to accept autonomy but remain part of Indonesia as the best solution to its problems.

But in an about-face last week, Jakarta said it may let East Timor go if it refused the autonomy offer. This move abruptly reversed 23 years of staunch opposition to any suggestion of independence.

"The package we are offering is a wide range of freedoms," said Mr. Alatas.

It includes, he said, "their own political party system separate from the political party system of Indonesia."

"They can arrange their own election, choose what kind of Parliament they want, and choose their own provincial head," he said. "They can even choose their own banner."

President B.J. Habibie said autonomy would solve the issue of East Timor.

"If that proposal is rejected," he said, "the government will ask the People's Consultative Assembly to decide the fate of the East Timorese after the June 7 election."

Elsewhere, fighting between anti-riot officers and separatist protesters in a northern Indonesian town left at least two dead, police and witnesses said Thursday.

The military chief of East Aceh, Lieutenant Colonel Ilyas, said two were dead.

But reports vary as to the death toll. A local reporter said he saw five bodies. Meanwhile, a human rights lawyer cited reports from villagers as saying the known death toll was 16.

Violence broke out Wednesday in Aceh Province during a forum to voice



East Timorese who favor strong ties with Jakarta showing their weapons Thursday as they guarded a post in the village of Vahuboro against possible attacks by pro-independence forces in the province.

support for the Free Aceh Movement, a rebel band that has been fighting for an independent state for decades.

Police and soldiers moved in to break up the meeting in the town of Idi Cut, which was attended by thousands of people. Some protesters hurled stones at police and army posts.

Officers fired warning shots and then fired live ammunition at the crowd, witnesses said.

The human rights lawyer, Jacob

Hamzah, said visited Idi Cut and interviewed residents who said that 53 were feared dead and about 100 people injured.

Mr. Hamzah, director of the Iskandar Muda Legal Aid Foundation, said he did not see the bodies of the victims.

He said that 12 families had identified 15 bodies and that another body was not identified. "But villagers said the actual death toll was 53," Mr. Hamzah said. (Reuters/AP)

MALAYSIA: Crisis? What Crisis?

Continued from Page 1

"If you're looking for a cataclysmic situation, you won't find it," said Jomo K.S., professor of economics at the University of Malaya. "I think we have to recognize this crisis for what it is. It began as a currency crisis and it became a financial crisis and now a recession. Some sectors of the economy have been smashed. But most are doing reasonably well."

Economists caution, however, that although Malaysia may have exhibited resilience in the face of the crisis, there is no telling how much longer the country can handle a deep recession.

"If the economy doesn't reverse itself by the middle of this year, you might start seeing some of the acute problems that our neighbors have," said Mohammed Ariff, executive director of the Malaysian Institute of Economic Research.

Malaysia's economic crisis — like economic downturns the world over — is often calculated using relatively abstract economic data: industrial production figures, the rise and fall of exports and change in gross domestic product, a broad measure of goods and services.

Indeed, by many of these calculations, Malaysia is facing its worst economic crisis in decades. The economy shrank last year by about 6 percent — a radical shift from the boom-years average of 8 percent annual growth.

What is striking is how this decline in economic activity has barely dented the lives of people like Mr. Haris. He and his family say they are spending less and putting off plans for foreign holidays. But seen in the scope of their lives — and indeed an entire generation of Malaysians who grew up in poor, rural environments but who now live in modern cities — the crisis seems but a blip.

Mr. Haris was raised by his grandparents, who taught him to plant a rice paddy and tend to the rubber tree in the back yard. Today he is the human resources manager of the country's largest port. He has an Indonesian maid — very common among the country's upper middle class — as well as two cars and a house in the suburbs of Kuala Lumpur.

And despite the economic crisis, none of that seems in jeopardy. It is perhaps a sign of the times that one of the most contentious political issues in Malaysia today is not the alleviation of poverty or unemployment, but an increase in highway tolls. Opposition politicians staged protests last

month near toll booths just outside Kuala Lumpur, a modern capital that seems to belie all signs of crisis. Shopping malls are still bustling, and restaurants are still full, even on weekdays.

"These are things that puzzle a lot of people," Mr. Ariff of the Malaysian Institute of Economic Research said. "Visitors to KL say: 'Crisis? What crisis?' The city is as active and animated as it was and people are just as busy. They don't see the crisis by looking around KL. When they go to Jakarta, they can see the crisis. When they go to Bangkok, they can see it. But in KL they don't."

Many Malaysians say that foreign perceptions of the country are worse than the country's economic realities.

That is perhaps partly due to the high-profile rhetoric of Prime Minister Mahathir bin Mohamad, who often speaks in provocative terms of the destructiveness of the crisis on people's lives.

Art may have played a minor role in creating a perception of misery in Malaysia. Kow Leong Kiang, a young Malaysian painter, last year won first prize in a Southeast Asian painting competition for a work titled "Mr. Foreign Speculator, Stop Damaging Our Country!"

The painting is apocalyptic: Three young children dressed in rags stand in a blood-red field surrounded by sickly looking water buffaloes.

But one would be hard-pressed to find such a scene of abject poverty and suffering in Malaysia. The country's resilience to the crisis, economists say, comes both from its relative affluence before the crisis and the large number of foreign workers who "cushion" the impact for Malaysians. As many as a million foreign workers have gone home to places like Indonesia, Bangladesh and Thailand since the crisis started.

The diversification of the Malaysian economy is another factor. Mr. Jomo points out that damage to the economy has been concentrated in the finance, construction and real estate sectors.

Demand for such items as computer chips and television sets remains relatively steady. High prices for major agricultural products have also mitigated the effects on the hardest-hit sectors.

"Certain sectors are doing extremely well," said Yeap Jin Soo, a partner at Korn/Ferry International (Malaysia) Sdn., a head-hunting firm in Kuala Lumpur. Mr. Yeap said the market for top executives among multinational corporations remained "tight."

BRIEFLY

Hot Line Removed As Execution Nears

MANILA, Philippines — President Joseph Estrada ordered the removal of a telephone hot line between his office and the national penitentiary Thursday to dramatize his refusal to spare a convicted child rapist scheduled to die in the Philippines' first execution in 23 years.

Leo Echegaray, convicted of raping his 10-year-old stepdaughter five times, is to be put to death by lethal injection Friday afternoon.

Many Filipinos support capital punishment because of exasperation over widespread crime. But others, led by the Roman Catholic Church, say there is no proof that capital punishment reduces crime. (AP)

Pakistan Welcomes Indian State Visit

ISLAMABAD, Pakistan — Pakistan on Thursday welcomed the arrival of the Indian prime minister, Atal Bihari Vajpayee, to visit by an inaugural bus service, and it urged New Delhi to show the necessary will to settle common disputes.

Foreign Minister Sartaj Aziz told a news conference that Mr. Vajpayee's visit could help stimulate peace talks between the two arch-rivals, which conducted tit-for-tat nuclear tests in May. (Reuters)

Industrialist Says He Gave to Kim

SEOUL — A convicted industrialist told a parliamentary panel Thursday that he gave former President Kim Young Sam 15 billion won (\$12.8 million) in illegal campaign funds in 1992.

The testimony by Chung Tae Soo, former owner of bankrupt Hanbo Steel & General Engineering, contradicted a repeated claim by the former president that he never received any money from Chung or other businessmen. (AP)

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EDITORIALS/OPINION

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Hope for East Timor

Indonesia's forcible annexation of East Timor 23 years ago has brought death and devastation to the territory's people and been criticized by most of the world's governments. So it is encouraging that President B. J. Habibie now says he would consider granting the territory independence later this year if his offer of autonomy under Indonesian rule is not accepted.

But the timing and manner of any Indonesian exit must be carefully planned. After nearly a quarter-century of repression, East Timor needs a chance to regain its balance and disarm the warring parties.

East Timor's people should be allowed to determine their own future through an internationally monitored referendum. This should be held after Indonesian-backed paramilitary fighters as well as pro-independence guerrillas have been disarmed and most Indonesian troops withdrawn.

East Timor was a Portuguese colony until Indonesia grabbed it after Portugal's 1974 revolution. The territory's history, culture and religion make it unlike the rest of the Indonesian archipelago. Jakarta's efforts to subdue it have been vigorously and persistently resisted. A third of East Timor's population died from war, famine or disease in the early years of Indonesian rule.

Lisbon and Indonesia's leadership are now engaged in talks sponsored by the United Nations over the territory's future. Portugal's role has been positive, trying to compel Indonesia to take more account of Timorese concerns. But the people Jakarta really needs to negotiate with are Timorese leaders themselves. Having refused to budge for two decades on the question of East Timor's political status, Jakarta must now move carefully and responsibly toward a referendum.

—THE NEW YORK TIMES.

Peru and Ecuador

The presidents of Peru and Ecuador are in Washington this week to celebrate the signing of a border treaty that is a lot more than a border treaty. It enables them to ask Americans not just to recognize their diplomacy but also to invest in their growth and stability.

The two countries need development as well as friendship. Settling what has been called the oldest and most contentious conflict in South America lets the peacekeepers advertise themselves as serious modernizers. The new agreement was designed precisely as an instrument of modernization for both of them.

Border disputes come from more than the lapses of surveyors. This one came from historical and emotional roots deep enough to touch basic sources of identity as well as interest on both sides. The tenacity of nationalistic feelings made it risky but essential for Ecuador's president, Jamil Mahuad, and Peru's Alberto Fujimori to grasp the nettle.

This is how an agreement came to be negotiated that marks a border and provides Ecuador a patch of Amazonian land to boot its soldier dead. The agreement also provides a plan to develop and integrate the two economies, especially in the impoverished border region. Initial funding is what the presidents seek in Washington.

For all their psycho-diplomatic exertions, Peru and Ecuador needed help from their friends, Argentina, Brazil, Chile and the United States. The four arbitrated the final settlement that the two had bound themselves to accept.

Ecuador and Peru deserve congratulations. Mr. Fujimori could build on the spirit of the occasion by moving all the way to undo his manipulation of the powers of the state against the television proprietor Baruch Ivcher, in a case with international resonance. The dispute on that "border" needs to be resolved, too.

—THE WASHINGTON POST.

For Haiti to Escape

Haiti is President Bill Clinton's saddest foreign policy disappointment. Five years ago he took a leap and, with 20,000 American troops, restored the ousted populist president Jean-Bertrand Aristide. Hopes of firming up a fledgling democracy and rescuing the Western Hemisphere's poorest economy fueled a deep and expensive engagement. Unfortunately, the Haitian ruling class chose a power struggle over democracy-building, and corruption over development.

Most recently, President Aristide's handpicked successor, René Préval, moved to bypass the existing (and hostile) Parliament in what looked suspiciously like a political coup d'état.

Things are better than they were under the Duvaliers, who ruled by a pervasive terror and permitted not even the small liberties that are honored now, if mostly in the breach. But the expectations ignited by the American intervention could not have been met even if a political consensus had been

achieved, and such a consensus has not been even neared. The paralysis of government induced by two years of struggle between president and Parliament has taken a cruel extra cut out of the standard of living. Tens of millions of dollars in foreign aid are tied up. Mr. Aristide evades his obligation to encourage compromise.

A succession of Clinton administration envoys and congressmen have gone to Port-au-Prince to urge Haitians to subordinate political ambition to national interest. Much of the Haitian elite is dug in and needs to hear from the outside world. A recent bipartisan delegation led by Representative Ben Gilman, Republican of New York, found an urgent requirement for selection of a broader-based cabinet, establishment of a provisional electoral council with the diversity to be credible, and the election of a legislature of accepted legitimacy. This is Haiti's chance to escape its grinding crisis.

—THE WASHINGTON POST.

Paul Mellon's Legacy

For someone who in no way fancied himself an entrepreneur, Paul Mellon accomplished remarkable things with his inherited fortune. Simply by giving much of it away, he parlayed it into a national American treasure, one that includes galleries, seashores, parks and a huge number of artistic and intellectual endeavors.

"Simply," of course, is not really the right word here. As Mr. Mellon remarked once, it is possible to do as much harm as good giving money away. Philanthropy can be a complicated, demanding business. The best of it is grounded in a genuine feeling for the subject at hand, consideration for the desires and needs of others, and a pretty good understanding of oneself. Paul Mellon was in many ways the perfect philanthropist. In a country that is rich but suspicious of public spending, stewards of great wealth such as Mr. Mellon, who died on Monday, have an essential role to play.

The National Gallery of Art looms so large and monumental in the heart of the capital that it is easy to forget that it dates only to 1941, was paid for by the

private fortune of Andrew Mellon and was stocked over the years with nearly a thousand works donated by his son, Paul. Paul Mellon later underwrote the building of the gallery's East Wing, which opened in 1978, and he was deeply involved in the gallery's work for more than a half-century.

Most of his major philanthropic works have a public feel, in part because Mr. Mellon refrained from attaching his name to them, but mostly because they were indeed meant to be places for the people.

Paul Mellon, a very private man, lived comfortably and well most of his 91 years, indulging his passion for racehorses, paintings and other beautiful things. As a public man, he left a legacy reflecting that love of beauty. Anyone who wanders the halls of the National Gallery, the unspoiled Hatteras shore or the many miles of hiking and riding trails that Paul Mellon supported might recall the epitaph written for the architect Christopher Wren nearly 300 ago: "If you would see his monument, look around you."

—THE WASHINGTON POST.

A 150-to-1 Ratio Is Far Too Lopsided for Comfort

By Raymond W. Baker and Jennifer Nordin

WASHINGTON — Here is an indicator that should worry us. It has to do with a widening gap between the world's rich and poor.

For years, the measure of difference between the top and bottom 20 percent of the world's population has been obtained by comparing total GNP's of countries with the highest and lowest per capita incomes. The 1993 ratio of 60 to 1 is often cited, even though by 1998 the ratio had risen to 74 to 1.

But these comparisons do not take into account levels within countries. For example, the 1998 ratio has all of Brazil's population in the top category and none of China's in the bottom.

The way to make the comparison is to find the person in the worst position and add upward to encompass the bottom fifth of the world's population, and then add downward from the richest persons to obtain the top fifth.

In the past two years, adequate surveys of income or consumption shares by quintile groups within countries have become available from the World Bank. This permits assembling the richest and poorest brackets from wherever people may reside. If you use 1998 figures to

compile these groups, you get a staggering disparity of 135 to 1.

Even this is almost certainly too low. In most countries, receipts accruing to the wealthy are typically understated. And in many countries published figures are two years old.

Looking ahead to 2000, the World Bank expects poverty in Asia — people living on \$1 a day or less — to double. And of course population growth is highest in the poorest countries.

Considering the shortcomings in the present data and likely trends in the next two years, we can expect to start the next century with income disparity between the top and bottom 20 percent groups of perhaps 150 to 1, if we are not there already.

Such disparity matters for at least three reasons, beyond humanitarian considerations.

• After the current downturn has run its course, long-term growth can rapidly accelerate, driven by 40 years of astounding technological advances. But the chasm between rich and poor limits the market for advanced pro-

ducts. Henry Ford understood 80 years ago that if he was going to sell more cars, workers had to be able to buy them. He doubled wages to \$5 a day.

• A world linked by low-cost transportation and communication, particularly television, cell phones and the Internet, cannot be expected to remain compatible with a 150-to-1 income gap between major groups. A billion people living in dire poverty alongside a billion in widening splendor on a planet growing ever smaller and more integrated is not a sustainable scenario. Whether it is the rich who must pause or the poor who must catch up is likely to be a defining issue in the future.

• George Soros is not alone in warning of tension between democracy and free markets. Free market economics, in the absence of adequate regulation and corrective policy, allows massive inequality in access to education and medical care and accepts resulting discrepancies in standards of living. To maintain peaceful coexistence, income gaps should be narrowed rather than democracy jeopardized.

Three immediate steps would help in what will be a long process of moderating evident extremes.

First, cull or substantially lighten the \$160 billion and \$202 billion in official foreign debt of low- and middle-income countries, respectively, conditional on matching internal social spending. Economic growth would be spurred and solidified.

Second, developing and transitional economies urgently need vast improvement in tax collection systems.

Third, the illegal portion of flight capital that flows out of poorer countries (and is aggressively sought by richer countries) needs to be swiftly curbed, with the United States and Europe taking the lead.

A global quintile disparity of 150 to 1 is fraught with risks for rich and poor alike.

Mr. Baker is a guest scholar at the Brookings Institution, and Ms. Nordin is an associate at Coville Health Economics, a grant from the MacArthur Foundation has partially supported their work. They contributed this to the International Herald Tribune.

The West Is Smug, but It Badly Needs Revival in Asia

By Philip Bowring

LONDON — "Western Economic Forum" might have been a better title for this year's annual meeting of the World Economic Forum in Davos, Switzerland. Asia was barely on the screen. The Asian crisis was assumed to be last year's story, and the next Asian challenge not yet on the horizon.

With its high-powered delegation headed by Vice President Al Gore, Treasury Secretary Robert Rubin and assorted technology wizards, the United States was, at least in public, brimming with optimism about its Internet inventions, its growth rate, its role as driver of an otherwise sluggish global economy. Europe was more muted but still smugly satisfied with the euro launch and the prospect of increasing Europe's weight in world affairs.

All of which may have been fair enough, given the state of the world today. But what about

the future? The fat years do not last forever.

Many think that Internet stocks are a bubble and the U.S. economic expansion may be in its final phase. What will happen to the rest of the world if the bubble bursts this year and takes the U.S. economy with it?

Curiously, there was scant discussion of the subject, although Davos is supposed to be forward-looking in future shocks and opportunities.

Insofar as there was a consensus it is by implication gloomy. Without the U.S. consumer, the world would be in bad shape. European demand is flagging. Asia has at best merely stabilized, and most of the developing world has been set back by falling commodity prices and the deflationary impact of currency and debt problems in Russia and Brazil.

If that is the correct analysis, one would have expected the assembled leaders to take more seriously the need both to spur European growth and to reverse the illiquidity facing developing countries as a result of capital exodus and IMF-driven high interest rates aimed at currency stabilization.

The West's endless criticisms of Japan's inability to escape from recession would be taken more seriously if Europe were not continuing to run a huge current account surplus and doing little to stimulate capital flow to Asia and elsewhere. The West badly needs revival in Asia and the developing world. The U.S. expansion and trade deficit are dangerously overstretched. Europe's demographics suggest that it could have almost as much difficulty as Japan promoting domestic demand.

So much for the gloomy global scenario. One can sketch two contrary ones that are gloomy for the United States but not for Asia. Both suggest paying more attention to the non-Western world.

The first is that a bursting of the U.S. bubble would, contrary to most assumptions, be a stimulus for Asia and even Latin America. Capital would stop flowing into the United States and move back to Asia, Brazil etc., enabling currencies to strengthen, interest rates to fall and local demand to revive. The gains from resurgence of domestic consumer spending would be more than offset weaker exports caused by U.S. market contraction.

The other possibility is that Asian consumer demand will, of its own accord, pick up this year much more than is assumed, causing a reversal of deflation in prices of cars, chips

and even primary commodities. That would bring a sudden end to the rosy assumption in the United States that wages can keep growing at 4 percent, money supply at 10 percent and prices at 2 percent.

Such a reversal in the benign terms of trade that the West has been enjoying would send a shock wave through Wall Street and a lesser one through Frankfurt. It would also mean that the International Monetary Fund would have to read its lecture notes back to Mr. Rubin — an unexpected triumph for globalization.

Viewed through the Davos prism, the West looks suspiciously like Southeast Asia three years ago. Japan in 1990, OPEC in 1980. The party may just last through the millennium, but the unsustainability of today's imbalances was the ghost at the 1999 Davos feast.

International Herald Tribune.

Paying Lip Service to Reform of a Disruptive World System

By William Pfaff

PARIS — It took two political men, America's Henry Kissinger and Britain's Chancellor of the Exchequer Gordon Brown, to remind the businessmen and assorted experts at the World Economic Forum in Davos that the economic policies promoted by the international trading and financial communities clash with the democracies' political policy of promoting stability and democracy.

The economic program is radical and disruptive. It demands replacement of the existing economy with a new system of internationalized industry and society, subordinating to the norms of an implacable market. That this is a revolutionary program is apparent in what has happened in Asia and threatens to happen in South America.

The program automatically undermines or destroys traditional economic structures of backward countries and draws workers into the internationalized industrial sector, at severe cost to indigenous agriculture and artisanal enterprise, and to their associated value structures and ways of life.

If foreign investment is withdrawn, and the internationalized sector collapses, the program requires that these people be cast adrift. Are they supposed to go back to the farm? The farm is paved over, the old workshops abandoned, and the forest has been stripped. The political consequences can be devastating, as Indonesia currently demonstrates.

The policy's internal contra-

dition is institutionalized in the contrasting mandates of the World Bank, concerned with social progress and political stability, and of the IMF, applying rigid fiscal and economic criteria to societies in trouble, with the political domain beyond its responsibility.

The IMF has been named the scapegoat, even if it was only obeying orders. Its quasi-official nomination to that ungrateful role was apparent at Davos. When Larry Summers, U.S. deputy secretary of the Treasury, attacks what the IMF has been doing, the message has been delivered — the U.S. Treasury has clean hands; the IMF did it.

The IMF's Stanley Fischer was moved to a bitter response on Saturday, insisting that,

overall, the IMF has been right all along. He spoke just before flying off to try to fix Brazil.

Mr. Fischer's defense underlined how narrow are the criteria by which the world economy is currently managed, and how ingenious the political assumptions behind them.

The chairman of the New York Stock Exchange, Richard Grasso, made an institutionally self-congratulatory speech to the Davos audience in which he emphasized that what the new world is all about is "investor confidence."

The poor of this world, the backward nations which want to develop, have only to create investor confidence. This means that they must convince investors that they can make more money in the poor countries than they can make in rich countries with highly developed regulatory systems and tough competition, and also convince them at the same time that the money they make will be perfectly safe. The idea is to eliminate the downside.

You may have read in economic theory that high return is linked to higher risk. The message that the New York Stock Exchange wants delivered is different. The most telling criticism that has been made of the IMF is, of course, that it has tried too hard to meet that need to spare the international investor the inconvenience of risk, arranging for others to assume the consequences of its imprudences.

A great deal was said in Davos about new international regulation of the flow of investment, particularly of short-

term money, but no agreement was reached. Reform proposals prosper most in the realm of rhetoric.

The United States remains the unfettered market's great defender, but no longer commands the old confidence in its ability to deliver on its words. Mr. Summers and Charles Barshefsky, the U.S. trade representative, were notable for uncompromising messages on how others should behave.

They explained the correctness and immutability of U.S. policy, listed what the United States requires from Japan, Russia, the European Union and the developing nations (and when), suggesting, or so it seemed, that those who fail to follow instructions can expect to be crushed.

Their listeners, however, were commenting on the Clinton administration's reactivation of the U.S. "Super 301" program for protecting American industry and trade, the xenophobia and protectionism of the U.S. Congress (due to rise as the presidential campaign approaches), Washington's failure to pass "fast-track" trade negotiating authority, and the simplistic and ignorant nostrums being promoted by the likes of that formerly influential American, Newt Gingrich, who was also present.

Davos did welcome the polite and reassuring things that Vice President Al Gore and U.S. Treasury Secretary Robert Rubin had to say, but did not take them very seriously. Its attention was elsewhere.

International Herald Tribune.
Los Angeles Times Syndicate.

New Thinking in Latin America

By Jorge G. Castañeda

NEW YORK — The Brazilian crisis and the threat of its extension to the rest of Latin America are generating a good deal of reflection in Latin America. They might seem to suggest that orthodox remedies and promises of international support, no matter how substantial, are insufficient to sustain a currency once speculators have decided to attack it, and once governments have acknowledged that their economic "fundamentals" are in bad shape.

Also, the Mexican crisis of 1994 and the current Brazilian crisis might indicate that attempts at re-election or at maintaining political power indirectly are poor counselors. One can wonder whether Brazil and its president, Fernando Henrique Cardoso, might not have been better off keeping the ban on re-election and deliberately adjusting the real parity in mid-1998, with huge reserves and tranquility in the markets, instead of being forced into a maxi-devaluation with dwindling reserves and in the midst of panic.

But beyond these immediate reactions, which may not stand the test of time, a number of intellectual trends are emerging in Latin America. One involves increasing awareness of a need for major correction of the so-called Washington consensus of the late 1980s about free-market economic reforms.

From the World Bank's growing focus on social issues to George Soros's call for regulation of capital flows, the mainstream of the public policy debate is shifting, slightly but surely, away from the Reagan-Thatcher-IMF paradigm of recent years. The shift is palpable in three specific directions.

A first involves capital flows. Without going as far as Prime Minister Mohammad bin Mahathir of Malaysia and blaming speculators for devaluations and capital flight, there is a growing sense that some restriction or inhibition on the entry of short-term, portfolio investment is probably a good idea in Latin America.

Right now no nation would attempt to dissuade capital from entering its borders — they all need hard currency desperately — but the absence of clear benefits of attracting speculative funds, and the enormous damage wrought by their sudden departure, encourage previously dogmatic governments to contemplate and design mechanisms to regulate these flows. Since it is almost impossible to do so effectively at a national level, there are growing calls for regional or international schemes.

Secondly, Latin societies, particularly those whose public finances have been devastated by the plunge in key commodity prices, are beginning to conclude that a major tax effort has become indispensable. They are finally understanding that with tax revenue as a percentage of national income below 15 percent, it is impossible to provide the education, health, housing and infrastructure that modern, competitive and cohesive societies require.

Short of raising that proportion to the 25 percent to 30 percent that even the least tax-industrial nations have achieved, significant improvement in living standards is a pipe dream. Just a few years

ago, this argument was perceived as anathema in many quarters. Today it is rapidly establishing its legitimacy.

Thirdly, while targeted anti-poverty programs continue to be the rage in many countries of Latin America, there is a growing sense that in terribly unequal societies the path of minimal universal entitlements is perhaps preferable.

Establishing a basic "floor" of social rights, no longer funded by payroll taxes but rather through a central tax fund, is seen as a first step toward transcending the struggle against poverty to one against inequality. In the world's most unequal region, such an effort appears indispensable if recent democratic gains are not to be swept away by social violence, crime and collapse of the rule of law.

The Brazilian crisis is partly homegrown, partly rooted in the region's endemic problems. Nations with more solid economic foundations are less vulnerable to international turbulence, but the domestic political origins of the renewed financial difficulties are common to many Latin American countries.

Mexico, Chile and Argentina may boast that they are more capable of weathering the current storm than Brazil, but if the above-mentioned shifts in intellectual discourse do not soothe the political mainstream, these three may be buffeted and even demolished by the same combination of domestic and external winds.

The writer, a political scientist and author of "Compañero: The Life and Death of Che Guevara," contributed this column to New York Times Special Features.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1899: Australia's Aims

PARIS — The "Temps" says: "Imperialists in England will celebrate Australian Federation as a triumph. They see in it a commencement of the great imperial federation. Perhaps they are mistaken. Australia united will have interests, passions, aims, which will not be necessarily identical with those of the mother country. It might be that we are now witnessing the start of the dissolution of the British Empire. When will come the turn of South Africa and the North American Dominion?"

1924: Church's Purists

NEW YORK — Replying to the campaign of modernists, in a sermon, Bishop William T. Manning insisted upon the acceptance of the creed in its entirety, declaring that the liberty of opinion in the Church must have limits of expression. Bishop

of Manning was recently faced with the withdrawal from the Protestant Episcopal diocese of St. Mark's in the Bowery because he banned a dancing ritual in the church. Dr. William Guthrie, the rector, defended the dancing of girls in Greek costumes on the grounds that it was a "vital creative work."

1949: Canadian Rule

OTTAWA — Prime Minister Louis St. Laurent indicated that he will ask Britain for Canada's complete constitutional independence. He said: "The British North America act is the foundation of Canadian union. Every time Canadians want any change in the act we have to go through the form of getting the change by the Parliament of the United Kingdom. We cannot really consider ourselves an adult nation so long as we have to submit our final decisions to the Parliament of another country."

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Leisure

An Anatolian 'Blue Cruise'

Turkey's Southern Coast Blends Beauty and History

By Stephen Kinzer
New York Times Service

ANATOLIA, Turkey—During a memorable cruise along Turkey's Mediterranean coast last June, I saw Odysseus only in my mind's eye. This was almost odd, because his presence is palpable among the islets, bays and ancient ruins that make this trip so rewarding. Here the sea truly is wine-dark and the dawn does have rosy fingers. It takes almost no imagination at all to envision not only Odysseus but also Alexander, Cleopatra, Hadrian and other titans of antiquity gazing on the same sights that await visitors today.

This weeklong trip was a relatively short version of the Mediterranean "blue cruise," an adventure that is becoming increasingly popular among travelers who want to combine dazzling beauty and historical discovery with salt air, seafood, swimming in pristine coves and simple relaxation. The idea for these cruises emerged in the late 1950s, initially as a cultural statement by a group of leftist intellectuals who forged an ideology they called "Blue Anatolia." It held that modern Turks are heirs not only to the Turkic culture of Central Asia but also to the dozens of cultures that have thrived on the land that is now Turkey.

In the service of this belief, they set out on boat tours along Turkey's Aegean and Mediterranean coasts, where countless sites associated with ancient Greece, Rome and other civilizations were waiting to be discovered—decades before the explosion of tourism in Turkey. Since then, a modest industry has sprung up to serve those who make the cruise, based at several ports where motorized wooden yachts called *gulets*, designed especially for travel in these waters, line the harbors.

After deciding to make the trip, my first step was choosing whether to sign up on one of the vessels that make regularly scheduled voyages or to put together my own group and charter a *gulet* of our own. I chose the latter course and was rewarded by much good fellowship among a group of 10 adults and three children.

We began our trip at Antalya, a city of 1.1 million on Turkey's southern coast that is a jumping-off point for thousands of tourists each year. Most of them choose simply to find a hotel somewhere along the coast and spread out a beach towel. But we had arranged to have Fantezi II waiting for us. It turned out to be a new 21-meter (70-foot) *gulet* with a crew of three and seven small cabins, each with a private bath.

Deciding where along Turkey's long southern coast to concentrate a cruise is not easy, but the difficulty of the choice is balanced by the fact that almost any place you choose will prove wonderful. I had already visited two magnificent sites east of Antalya: the ruins of ancient Perge and the enormous Roman theater at Aspendos, which holds more than 15,000 people and is still used in summer for ballet and opera performances.

THE LYCIAN PENINSULA

This time, therefore, I chose to head west, aiming to travel along the peninsula that was ancient Lycia. These cities and towns, grouped for centuries into a confederation called the Lycian League, were at various times under the control of Greeks, Persians, Egyptians, Romans and even pirates.

It was late afternoon when we set off from Antalya. Warm breezes quickly began sweeping away the cobwebs that fog the spirits of those who live under urban pressures. For a few hours we sailed past beachfront resort colonies, but before dark they thinned out and we found ourselves gazing at rocky coastlines that seemed all but unpopulated.

Our reverie was broken by the ring of the ship's dinner bell, which, as we later noticed, bore the faintly unsettling inscription "Titanic 1912." After consuming a lavish spread of Turkish appetizers, seafood and fresh fruit, we chose, as many cruising this coast do, to forsake our stuffy cabins for the mattresses thoughtfully laid out on the foredeck.

The next day we stopped at the only site on our itinerary that I had already visited, the ruins of Phaselis. Phaselis is not only remarkably well preserved but also conveys a vivid sense of what it

must have been like to live in antiquity. Evidently founded by colonists from Rhodes in the seventh century B.C., it quickly became a trading center rich enough to have its own mint.

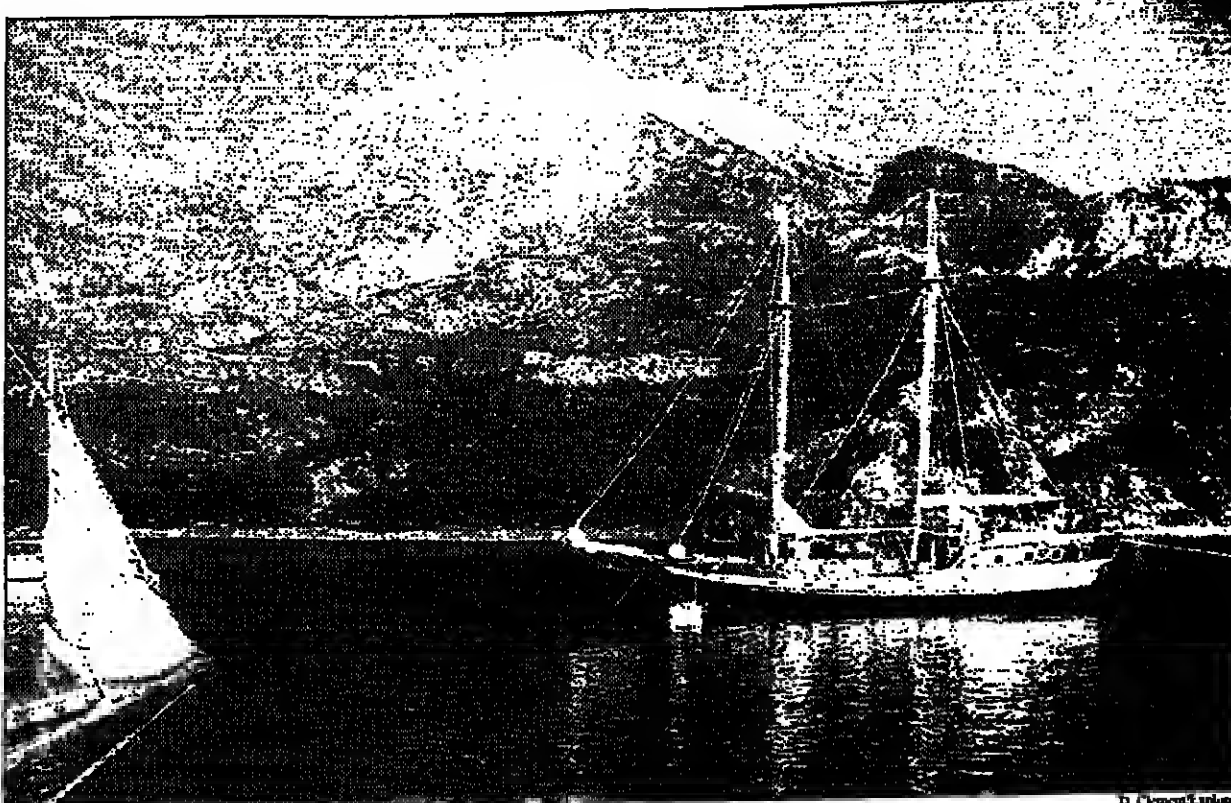
There is no museum on the site, and no guide, just a small souvenir stand where visitors may buy snacks and guidebooks. It is a far cry from the bustling days when Alexander spent several months at Phaselis around 334 B.C., preferring it to other towns in the region partly because he was deeply moved by the sight of its most impressive historic artifact, a broken spear supposedly used by Achilles.

Phaselis's broad main street, paved with cut stones, is lined with ruins of many structures, including a gymnasium that opens onto a public bath, a long Roman aqueduct, a gate dedicated to Hadrian and, most impressively, a classically proportioned theater with 20 rows of stone seats.

For the next several days we based ourselves at Kas, a lovely town with a fine harbor that makes it a favorite of gulets and other yachts. On the way we visited a Lycian necropolis at Myra and the nearby Church of St. Nicholas, built in the 11th century and heavily restored. Both were interesting, but the site has been overrun with tourists on the Santa Claus trail. With so many choices on this coast, we decided to move to lesser-known places.

AS THE DAYS passed, we found another force breezing through our group along with the warm trade winds. Our enthusiasm for exploration, climbing and hiking slowly ebbed as the warm water and hours of unalloyed relaxation worked their seductive power. But we had not turned completely indolent, and in Kas were the beneficiary of oen inspiration in the form of John Ash, a British-born poet and Byzantine historian whom we had prevailed upon to fly down from his home in Istanbul to guide us for a couple of days.

He took us first to an idyllic seaside village called Ucagiz, formerly known as Theiussa, where we dined at a fine seafood restaurant. After lunch we hiked



Sailboats pause in the Mediterranean off Turkey, the Tarsus mountains in the distance.

past the edge of town to a Lycian necropolis. The Lycians built their tombs above ground, some of them carved into the cliffs and others as free-standing granite structures. On our way back to the boat we stopped at the ruins of what had once been a grand home or palace, its imposing doorway arch intact.

A short boat ride from Ucagiz lies the village of Simena, where the most prominent landmark is a handsome Lycian sarcophagus that was built on land but now, with changes in the water level, rises from the shallow harbor about 15 meters (50 feet) from shore.

After anchoring near it, we climbed a steep hill to a well-preserved Byzantine fortress built on the ruins of one from Lycian times. From the summit there was a spectacular view of wooded islands dotting the multicolored sea. On the way down we stopped to admire the smallest ancient theater I have ever seen, carved from rock in a neat semicircle and big enough for about 250 people.

During our numerous swimming breaks we saw submerged remains of several ancient towns, but resisted the temptation to join a trip in a glass-

bottom boat or, even more adventurous, a scuba diving tour. We were, however, intrigued by Ash's assurance that there are dozens of magnificent sites in this area that are not mentioned in any guidebook, and challenged him to prove it. He did so most impressively.

BYZANTINE RUINS Traveling from Kas by chartered minibus, we proceeded to a spot about 55 kilometers (35 miles) north, near the village of Dirgenler. We parked at the foot of a deep canyon, which Ash said was the only pass in a chain of mountains near the Tarsus range. Lycian villagers moved inland to this region to escape seafaring raiders beginning in the eighth century A.D. To defend their homes they built an imposing fortress overlooking the chasm below. We walked about a mile along the cliff on a road cut by Romans.

Near this Roman road, in the middle of a verdant valley, Ash led us through a farmer's yard and past a herd of grazing goats to the glorious ruin of a very large Byzantine church. Towers and walls were still standing, along with two octagonal chambers on opposite corners.

We were told that they were all but unique in Turkey and that their purpose remains obscure. The size and dignity of the structure, the rich colors of the surrounding landscape and the sense that very few outsiders had seen this place in recent centuries combined to make the experience deeply moving.

By this time the last remnants of pollution and stress were purged from the psyches of everyone aboard. We still had a couple of days left, and we stopped at several small coves. There we swam and viewed a few more ancient sites, among them a Roman bath that is now half-submerged and thus once again available for bathing.

Before ending our voyage we stopped at the town of Fethiye, which in ancient times was famous for soothsayers. I did not find one, but if I had, I suspect he or she would have predicted that most of my companions and I would sooner or later be drawn back to Blue Anatolia.

Prices for these trips vary widely, depending on the season and the size of the vessel. A small boat with six cabins can cost \$200 a day, while a deluxe can cost \$6,500 a day in July and August.

New Door Into Cuba

American Sanctions Don't Deter Tourists

By Mireya Navarro
New York Times Service

HAVANA — At the Marina Hemingway, a complex of hotels, restaurants and shops here, the grocery store's shelves are stacked with Kellogg's Corn Flakes and Rice Krispies, Nestle chocolate bars and American cigarettes. English is spoken in the aisles. The sights and sounds are so familiar that Americans may have to remind themselves that they are in Cuba.

A popular playground for Americans before the revolution, Cuba has been off limits to tourists from the United States for most of Fidel Castro's four-decade-old rule. Under restrictions imposed by the American economic embargo, now in its 37th year, only certain travelers—including journalists, government officials and those visiting close family—can visit Cuba, spending up to \$100 a day for living expenses. In addition, travelers can apply for a specific license to go if they have a religious or educational purpose, for example.

Anybody else is banned from spending money under the Trading With the Enemy Act, which in practice deters travel. But while the embargo has minimized American tourism, more Americans have found ways to visit since limited free-market reforms adopted by Cuba in the 1990s legalized the dollar.

Since Pope John Paul II's visit last year, the number of American religious and academic groups wanting to visit has skyrocketed, some travel agencies say. Neither Cuban nor U.S. officials have estimates of American visitors, saying the number is difficult to gauge because of unauthorized travel.

At any given time, nine out of 10 boats at Marina Hemingway come from the United States. Americans traveling through third countries like Jamaica on package tours can often be found at the Tropica, the legendary outdoor nightclub where Las Vegas-type chorus girls dance to Cuban rhythms. In Varadero, Cuba's premier tourist beach area, the high-end hotels also draw American visitors seeking respite from the decay and hardship that are now staples of this country of about 11 million people.

A SURREAL DRIVE Cuba is a time warp. The ride from the Jose Marti International Airport into Havana offers a surreal sight: roads populated by bicycles and 1950s Cadillacs, many in mint condition; billboards filled with revolutionary slogans; the utter absence of fast-food franchises or chain hotels. In Old Havana, unpainted, sometimes crumbling colonial architecture remains magnificent. And an excursion to the countryside, to the Vinales Valley in the Pinar del Rio Province or to beaches and mountains unspoiled by development, makes a visitor feel just plain lucky.



Havana has changed little in the 40 years since Fidel Castro took power.

Travel throughout the island is unrestricted; visitors can get around by bus, train, airplane and car. Public transportation is overwhelmed, but tours are available and visitors can also rent a car, or hire a driver with a car.

Some Americans visiting for the first time say they are struck by the friendliness of the people and the apparent lack of the abject poverty they have found in such places as Africa and India.

Still, Cuba must ration rice, sugar and other staples, and professionals moonlight as drivers and *jineteras*, prostitutes, who are the draw for a thriving sex tourism industry. A heavy-handed government provides amenities for tourists that the Cuban people can only dream of. This can all translate into deeply unsettling experiences for a visitor. It is not uncommon, for instance, to dine at a nice restaurant next to kissing couples—teenage girls with men three or four times their age; or to have Cuban friends suffer the humiliation of being denied entry to hotels, even to the lobby for a visit.

American officials call it "tourism apartheid," but Cuba says it is trying to promote equality by not allowing special privileges to those with dollars (sent by relatives in the United States or earned by working for tourists). Dollars, however, are sometimes of no use in the face of shortages. Meat and fresh vegetables can be hard to come by even at better restaurants.

Havana has a wide range of restaurants, and outside the capital most hotels have restaurants, all catering to the dollar-carrying customer. The quality of service varies wildly, with hotel staffs ranging from efficient and friendly to slow and surly. Worn-out carpets and mismatched furniture can be found in some of the highly rated hotels in Havana, such as the Capri, and hours-long power outages are not uncommon. One hotel in Matanzas, near Varadero, shuts off the water for most of the day.

By comparison, Varadero's luxury resorts, the product of government joint ventures with private companies from such countries as Spain, Germany and Canada, seem like a step into the First World. Almost everything is imported, from fruits and meats to tools, and the feeling is one of pampered comfort.

Cuba is relatively cheap; the most expensive hotels often charge less than

\$200 a night, depending on the season. Prices can be even lower if a visitor sidesteps the government infrastructure and deals directly with Cuban solo entrepreneurs. Unauthorized drivers, for instance, charge much less than metered taxis, although many of the cars are not air-conditioned and some seem to be falling apart.

Lodging with a family and taking meals at *paladares*, private restaurants in the owners' homes, can offer higher quality at lower prices than hotels and bigger restaurants.

THRIVING BLACK MARKET

Also, because of a thriving black market, it is possible to get Cuban cigars at bargain prices. Almost every Cuban one encounters claims to know somebody at a cigar factory, but the product can be junk, and tourists are often warned to buy tobacco only at government stores.

Before the revolution, Americans made up the largest tourist bloc visiting Cuba. Now Canadians and Europeans have filled the void. Tourism, which the government began building up in the 1990s, has increased to 1.4 million visitors in 1998, the Tourism Ministry says. If an ambitious target of 2 million visitors by 2000 is reached, they said, Cuba will have nearly doubled its tourism since 1996. "We're bringing more tourists and the tourism infrastructure is also growing," said Manuel Garcia-Crespo, a tourism spokesman.

Among the earliest and biggest private investors in the tourism industry is the Spanish hotel chain Sol Melia, which co-owns four upscale hotels with the government and manages several others. Carlos Pereda-Navarro, general manager of Melia Las Americas in Havana, considers Cuba an attractive investment because of government support and the potential for growth.

"We're just beginning," said Pereda-Navarro, who has worked in Cuba for the past nine years. The potential would be even greater, he added, if Americans were free to travel to the island.

Some of those who flout the U.S. law to visit Cuba say they do not care about politics. A boater from Key West who was moored at Marina Hemingway said, "A lot of Americans come here basically because it's a beautiful country."

DINING

Winter Fare From 2 Paris Chefs

Northern Dishes;
A Vegetarian Menu

By Patricia Wells
International Herald Tribune

PARIS — I have followed the career of David Van Laer since the 1980s, when he first surfaced as an eager and impressive young chef at Jean-Pierre Vigato's La Manufacture just outside of Paris.

Three years ago he went off on his own to open Le Bamboche, a pint-sized restaurant that instantly took off, as diners applauded his combination of modern and classical French fare in a cozy Left Bank setting right behind the Bon Marche department store.

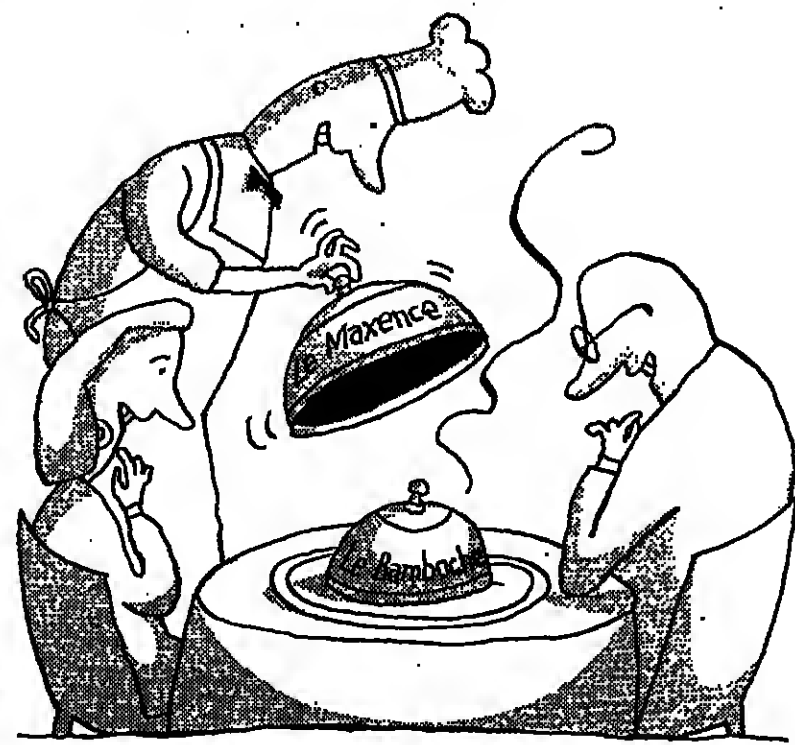
A few weeks ago he moved to larger quarters on the Boulevard du Montparnasse, and if a single meal is any sign, Van Laer should continue along his successful path. Considering the time and energy constraints of getting Le Bamboche opened, the oen menu differs little from Le Bamboche.

Throughout his career, Van Laer has kept true to his own tastes and origins, all the while weaving into the menu dishes from his native northern France. So chef Van Laer you find updated versions of such classics as the traditional *prestekopf* head cheese (here laced with lobster rather than pork) and *waterzooi*, a sort of chicken pot-au-feu (here prepared with scallops, or *coquilles Saint-Jacques*).

Best dishes at a recent dinner included a rustic gratin dish with a rich *parmentier* de *queque de boeuf*, or mashed potatoes layered with bits of slowly cooked oxtail that had been shredded, all served with a gentle truffle purée.

He has a fine way with pigeon, and samples of two versions—one on the à la carte menu was served in a pastry-cased *tourte* and another on the bargain 190-franc menu was simply roasted—prove that this little bird deserves greater exposure. Both preparations showed off the bird's earthy richness and wintry appeal. The *tourte* was the sort of dish you expect to find on a fine bourgeois table, oot a sunny yellow restaurant on Boulevard du Montparnasse: The pigeon has that properly livery, gamy flavor, enhanced by a *sauce béchamel* and a few sips of J.L. Colombo's racy 1997 Syrah La Serine Pointue, a bargain at 150 francs.

Another good bet was the first course platter of *raviolis* (tiny raviolis) stuffed with shellfish and a fragrant truffle cream, and the lobster *prestekopf*, a humorous and delicious headcheese bathed in an herb-rich vinaigrette. I was less enthused about the frogs' legs *fricassée* unsuccessfully paired with lentils, garlic cream and snails; and the *remoulade* of langoustines, which I would not have ordered had I known that the langoustines were raw. (It's a sacrilege to serve them raw, for it is in gentle cooking that the langoustines are allowed to bring out their iodine-rich



flavor and soft mellow texture.) As ever, Van Laer's cellar offers some bargains and discoveries, including A. Osterberg's spicy Gewürztraminer (the 1996 vintage at 180 francs), the Perrin brothers' astonishing white Coudet de Beaune (the 1996 at 200 francs), J.L. Colombo's viognier-floral white Rhône Les Figuières (the 1997 at 170 francs), and Michel Richard's ripe Cotes du Rhône Cairanne (the 1997 at 120 francs).

The oen décor is full of lots of bright sunny golds and terra-cotta, just a hint of the Mediterranean. Go see for yourself. With a bargain 190-franc menu at lunch and dinner, and valet parking to boot, how can you miss?

VEGETARIANS have never been treated very well in this city. Oh, sure, chefs will prepare vegetable-based dishes if you ask, but most of us really don't want to be a bother or stand out from the crowd. Leave it to Mark Williamson to find a way: Each day at his continually evolving restaurant, Macéo, Williamson offers a full-fledged vegetarian menu, with a selection of four first and main course vegetable dishes. Each dish revolves around what's in the market and in season, so right now the menu is peppered with chestnuts and fennel, beets and dried peas, onions and apples.

The newly refurbished main dining room at Macéo has been open since September, with sparkling wooden floors, gorgeous stained wood panels in rich oak framing the restaurant's original beveled glass mirrors, and clever, modern lighting. Gone are the old banquettes, dreary and heavy draperies and oppressive, outdated lighting that once were part of the old Le Mercure Galant.

Best dishes sampled at a recent

lunch include Williamson's *finest lamelles de chèvre croustillantes aux dattes et noix*: a soul-warming phyllo-encased *tourte* filled with leeks, goat cheese, dates and pine nuts, served with a refreshing little salad of julienned carrots and celery root. Equally appealing was the *cannelloni croustillant sur caviar d'aubergines*, with phyllo cannelloni wrapped around a delicious mushroom stuffing, served with a too-salty eggplant caviar and a topknot of salad.

The risotto—a wildly inventive dish that included a parsley purée, mushrooms, anow peas, fava beans and another signature topknot salad—was less convincing. There was plenty of it, but the dish lacked focus, salt and that essential creamy richness of an authentic risotto.

Wines, of course, are the main reason to come here. Two wonders include a fresh and refreshing Swiss white, Alain Neyroud's pinot blanc (the 1996 is priced at 240 francs) and a racy young Coteaux du Languedoc from Domaine d'Auphilac (the 1996 is priced at 130 francs).

Le Maxence, 9 bis Boulevard du Montparnasse, Paris 6: tel: 01-45-67-24-88; fax: 01-45-67-10-22. Closed Saturday lunch and all day Sunday. Credit cards: American Express, Visa. Menus at 190 and 320 francs. A la carte, 325 to 375 francs, including service but not wine.

Macéo, 15, rue des Petits-Champs, Paris 1: tel: 01-42-97-53-85; fax: 01-47-03-36-93. Closed Sunday. Credit cards: American Express, Diners, Visa. Vegetarian lunch menu at 180 francs, 220 francs at dinner. Traditional menu 195 francs at lunch, 220 francs at dinner. Prices include service but not wine.

www.patriciawells.com

MOVIE GUIDE

AFFLICTION

Directed by Paul Schrader. U.S.
The powder keg in the small New Hampshire town has a name: Wade Whitehouse, keeper of the peace. As played with fierce, anguished intensity by Nick Nolte, who gives the performance of his career in Paul Schrader's quietly stunning new film, Wade works part time as Lawford's policeman and knows that his hardest job is policing himself. But during the devastating course of "Affliction," Wade begins losing a lifelong struggle with his army of demons, and his carapace starts to crack. With gut-wrenching pity, the film watches pressures mount until Wade explodes. "Affliction" is adapted, as "The Sweet Hereafter" was, from a penetratingly astute, grief-tinged novel by Russell Banks, whose stirring voice is much in evidence here. But its story is also well suited to Schrader, who finds in Wade's suffering a workaday "Taxi Driver" in the snow. Schrader coaxes forth the oppressive forces around Wade until they achieve microcosmic fullness, ranging from childhood beatings by his father to the covert economic rape of a working-class town. Though ponderous literary voice-overs (from Willem Dafoe as Wade's brother) provide armchair psychology, the film is about much subtler signposts on the road to destruction. Schrader has made a film that needs to be watched carefully. He gives it the deliberate plainness that makes every small exchange matter. In a shockingly savage performance, James Coburn rages through the film as the alcoholic Glen Whitehouse, the man who first cowed Wade into submission. Jumpy black-and-white flashbacks depict Glen's viciousness as this family's most fundamental fact of life and capture the terror of being a small boy at Glen's mercy. A killing pushes Wade another inch off balance. Schrader guides "Affliction" through momentous events in a spare, sorrowful spirit that exposes their universality, and finds the deeper meaning in an all too believable tragedy. (Janet Maslin, NYT)

PLAYING BY HEART

Directed by Willard Carroll. U.S.
Talking about love is like dancing about architecture," muses a character in "Playing by Heart," a likably sappy romantic comedy that suggests Robert Altman's "Short Cuts" sprinkled with sugar. The film, written and directed by Willard Carroll, jumps around among an assortment of attractive Los Angeles of varying ages, in various stages of



Ryan Phillippe and Angelina Jolie in Carroll's "Playing by Heart."

relationships, as they collide and clash and eventually (in most cases) succumb to Cupid's insistent arrows with alarming speed. The core of the film is a series of interlocking duets. Sean Connery and Gena Rowlands play Paul and Hannah, a long-married couple who are avoiding dealing with the recent discovery that Paul has an inoperable brain tumor. But confrontations that are meant to bring tears from a stone feel false and contrived, and Connery's upper lip remains so stiff it seems frozen. Ellen Burstyn and Jay Mohr are more compatible as Mildred and Mark, an attractive widow and her gay son in the final throes of AIDS. But since the same situation has been dramatized more powerfully in several other recent films and television dramas, their mutual confessions sound rehearsed. The film's most prominent phobic theater director pursued by Trent (Jon Stewart), a funny, easygoing guy whom she initially rejects because he is "too good to be true." And there is Joan (Angelina Jolie), a brashly aggressive aspiring actress who puts the moves on Keenan (Ryan Phillippe), a morose, solitary young man she meets in a disco who rebuffs her advances. For all its artificiality, "Playing by Heart" is a percolates with an earnest charm. It's best to think of it as a smartly constructed modern drawing room comedy set in an urban lotus land where every morning promises a Valentine's Day surprise. (Stephen Holden, NYT)

DOWN IN THE DELTA

Directed by Maya Angelou. U.S.
The problem with "Down in the Delta" isn't that it's not good. It's just a bit too good. This is a workmanlike film. The acting by Alfre Woodard, Al Freeman Jr. and the late Esther Rolle, the directing by artistic jack-of-all-trades Maya Angelou and the script by Myron Goble—all are presentable if less than stellar pieces of work. The problem is that Angelou's schoolmarmish feature debut about the evils of drugs and the big city and the virtues of down-home living makes you feel guilty for finding fault with it. To make matters worse, Angelou and Goble hide their cynical manipulation behind the characters of an antisocial little girl (Kulani Hassen) and an Alzheimer's sufferer (Rolle), while throwing in a theme about The Legacy of Slavery for good measure. Opening in inner-city Chicago and moving on to Mississippi, the story of unemployed, doped-up single mom Loretta Sinclair (Woodard) and her search for salvation is one of those goody-two-shoes stories about What Really Matters in Life. The dreary early on, and it sticks out of the movie like a sore thumb. The dreary slave-era flashbacks inadvertently evoke the similar but far superior "Be-Loved." Both films are definite downers, but while "Be-Loved's" time machine swallowed you like a vortex, the pull of "Delta's" past merely tugs on your sleeve like a pest. (Michael O'Sullivan, WP)

ARTS GUIDE

BRITAIN

LONDON
European Academy for the Arts & Accademia Italiana, tel: (171) 235-0303, closed Mondays. To March 28: "The Shadow of the Night: Etruscan Splendours From Veitassan Tuscany." Ancient art facts dating to the Etruscan civilization (seventh to second century B.C.).
Royal Academy of Arts, tel: (171) 300-8000, open daily. Continuing To April 11: "Monet in the 20th Century." Features 60 paintings completed in the final decades of the artist's life.
www.royalacademy.org.uk

FRANCE

PARIS
Grand Palais, tel: 01-44-13-17-17, closed Tuesdays. To April 26: "Un Anni de Cézanne et de Van Gogh: Le Docteur Gachet, 1828-1909." Gachet, a general practitioner painter and engraver was a close friend of the Impressionists. Next to selection of paintings by Van Gogh, Sisley and Pissarro, the exhibition brings together watercolor copies of Impressionist paintings by Gachet, his son and Blanche Derouss.

ITALY

VENEZIA
Palazzo Grassi, tel: (041) 522-9875, open daily. Continuing To May 16: "Maya." Six hundred items trace the development of the Mayan civilization in Central America and Mexico.
www.palazzograssi.com

JAPAN

SEIKO
Miyagi Museum of Art, tel: (022) 221-2111. To March 14: "Masterworks From the Carmen Thyssen-Bornemisza Collection." More than 90 paintings on loan from the Madrid collection. The works cover European and American painting



Cézanne's "La Maison du Docteur Gachet," in Paris.

from the 18th century to the beginning of the 20th: landscapes, genre painting, Impressionist, Expressionist and Fauvist works.

TOKYO
Hara Museum of Contemporary Art, tel: (3) 3448-0551, closed Mondays. To March 22: "The Affirmative in Art." With works by Robert Indiana, Richard Long, Jean-Pierre Raynaud, Andy Warhol and Tadanori Yokoo, the exhibition attempts to reflect the feelings that motivated the artist at the time of the creation.
www.haramuseum.or.jp

Italian and Spanish periods. Starting as a post-Byzantine "Greek style" painter, El Greco was influenced by contemporary Italian masters while in Venice and Rome. He died in Toledo, Spain, having painted major works for various churches. The exhibition will travel to Italy and Greece.
www.offcampus.es/museo-thyssen-bornemisza/

UNITED STATES

LOS ANGELES
The Getty Center, tel: (310) 440-7360, closed Mondays. To March 28: "Edgar Degas, Photographer." The French Impressionist was also a talented photographer. The 40 photographs range in subject from portraits, nudes and dancers to street scenes and landscapes. They are accompanied by a few paintings, pastels, drawings and sculpture.
www.getty.edu

NEW YORK
Solomon R. Guggenheim Museum, tel: (212) 423-3500, closed Thursdays. To May 9: "Picasso and the War Years: 1937-1945." An exhibition of 70 paintings, works on paper and sculpture focuses on the artist's response to the Spanish Civil War and to the occupation, and later liberation, of France. Also included are studies for "Guernica."
www.guggenheim.org

CLOSING SOON

EUROPE
Feb. 7: "Rosemarie Trockel." Whitechapel Art Gallery, London.
Feb. 7: "Frank O. Gehry." Louisiana Museum of Modern Art, Humlebæk, Denmark.
Feb. 7: "Die Macht." Haus der Kunst, Munich, Germany.
Feb. 7: "Margelita." Fundacio Joan Miró, Barcelona.

Compiled by Melanie Rodier

CROSSWORD

ACROSS

- 1 Army post south of Baltimore
- 2 Some pens
- 3 Entices
- 4 Modern business equipment
- 5 Carpenter's supply, sometimes
- 6 It's not pretty
- 7 Used one's dinner table
- 8 Can
- 9 Cognate
- 10 Suffix with cyclo-
- 11 Enjoy
- 12 Zoroastrian scriptures
- 13 Start to believe
- 14 Cartoonist: Walker et al.
- 15 Wrest pupils
- 16 Conclude
- 17 They may have bells or whistles
- 18 Amateur mag.
- 19 Carpenter's correspondence
- 20 "La Docteur" miracle
- 21 Shell dispenser
- 22 "Arms of the Thousand Days"
- 23 "I'm not making that up!"
- 24 Rooster abbr.

DOWN

- 1 Buoyant
- 2 Places to see Verdi or Puccini
- 3 Distinguish
- 4 "Return to Earth" autobiographer
- 5 Chaucer: govt (each to his own taste)
- 6 Repeated four times, a 1974 Rolling Stones hit
- 7 Goal
- 8 Scape, e.g.
- 9 Cake feature
- 10 Make the
- 11 Harried traffic reporter's comment
- 12 Dilapidated
- 13 Athletes' conditioning activities
- 14 Ships
- 15 Monopoly props.
- 16 Restrict
- 17 To — (just so)
- 18 Adams and others
- 19 Kind of vaccine
- 20 Badger
- 21 Art Spiegelman's Pulitzer-winning graphic novel
- 22 "Men Behaving Badly" co-star
- 23 Place in a 1984 hit song
- 24 It may be silly
- 25 Brno's locale
- 26 Course requisite, at times
- 27 Bee's landing site
- 28 Doesn't just wreck
- 29 Sycophantic responses
- 30 "Home to Harlem" novelist
- 31 Good things that come to those who wait
- 32 Business abbr.
- 33 Bowser's warning
- 34 Mr. — (old board game related to Clue)

Solution to Puzzle of Feb. 4

BAO	SAD	SPRAY
OPES	MOLE	ALONE
ROVE	AFOR	VANNA
SLICED	TURKEY	
CLASSES	ELECTIC	
HOT	TIERED	DODD
TSE	ELLA	OUTSY
DELLOP		
BEDIM	OBIS	ASS
AGGRO	BANISH	ETA
ROASTED	ARTICROW	
ROASTED	ROASTED	BOMB
ABSO	OVEN	ESAU
RANTO	YENS	ROTC
CROSS	ORT	LAK

For Vacationers, the Seas Beckon

As Ships' Popularity Grows, Cruise Lines Expand Their Routes

By Edwin McDowell
New York Times Service

NEW YORK — During the Gulf War almost a decade ago, cruise lines hastily improvised alternative itineraries while moving their ships as fast and as far away from the war zone as possible. Within days, the Mediterranean was being referred to in cruising circles as the Dead Sea. But the bombing of Iraq in December by the United States and Britain created scarcely a ripple.

This time most ships had already moved from the Mediterranean to the Caribbean by the start of the winter cruise season, and the sustained bombing of Iraq lasted only a few days. If peace prevails, a record number of cruise ships are expected in the Mediterranean and elsewhere in Europe this year. And if the economy cooperates, the number of passengers taking cruises is likely to increase for a 10th consecutive year.

Indeed, even taking into account the recent stock market jitters, a forecast by cruise analysts at Bear, Stearns & Co. estimates passenger growth this year at 10 to 11 percent. If that turns out to be the case, that would put the number of passengers at about six million — and with it, the industry's revenue.

Unclear is what effect the several setbacks last year will have on the industry this year. These included a fire aboard Carnival's Ecstasy last summer, the Monarch of the Seas striking a reef in St. Maarten harbor in mid-December and having to cancel 12 cruises, and postponement of the inaugural voyage of the Disney Wonder, Disney's second ship, from March to Aug. 15, toward the end of the traditional summer cruise season.

On the positive side, passengers continue to give cruising high marks. And many travel agents, who collectively book more than 90 percent of all cruises, have vowed to redouble efforts to sell even more berths, to offset income lost by the latest round of commission caps imposed by the airlines last November.

In addition, the popularity of each new big ship seems to confirm the decision by cruise line officials to compete with resorts, amusement parks, beach towns and ski resorts. Most new big ships, for example, have elegant restaurants and boutiques, luxury spas, high-tech fitness rooms.

water slides, conference and meeting rooms, theaters featuring large-scale productions, pubs, playgrounds and computer rooms, as well as casinos as glitzy as some in Las Vegas.

And there is more to come. Royal Caribbean's 142,000-ton Voyager of the Seas, scheduled for delivery this fall, will have a full-sized basketball court and ice-skating rink, a rock-climbing wall, a minigolf course, a theater five decks high, a \$1 million seawater aquarium, a wedding chapel and the world's biggest roulette wheel.

The Cunard Line's first new ship in about 30 years, tentatively promised in about 2002, will have many of the above amenities, plus a microbrewery and the world's highest maritime museum.

Because cruise ships have not yet figured out how to equip their vessels with actual golf courses, Crystal's Symphony and Harmony have a total of nine cruises this year ranging from 11 to 16 days that provide guaranteed tee times at 21 notable golf courses in the Mediterranean, the British Isles, Central America and the Caribbean.

SMALLER SHIPS Still, many cruise passengers prefer smaller ships, including ones still in the fleets of Carnival, Princess and Royal Caribbean, the three cruise lines that have led the high-ship boom. Holland America's largest ships, including three scheduled for delivery by next year, do not exceed about 1,400 passengers. Crystal's three ships carry about 850 passengers, while Renaissance Cruises plans to build five 690-passenger ships in the next two years.

Silverseas Cruises is building two ships for 290 passengers, while Radisson Seven Seas, only one of whose five ships carries more than 320 passengers, plans to add four more by 2004. Its 320-passenger Paul Gauguin, which went into service last year in French Polynesia, had a 90 percent year-round occupancy, an especially high percentage for a first-year operation and doubly so for a luxury ship with luxury prices. All three Seabourn luxury ships have a capacity of just 204 passengers.

Other small-ship cruise lines including Windstar, American Canadian Caribbean, Windjammer Barefoot Cruises, Classical Cruises and Clipper Cruise Line offer

wide-ranging itineraries for the growing niche markets.

Classical's 48-passenger Halcyon, for example, is offering the first and only cruise dedicated to Tunisia, from the Mediterranean to the Sahara, while the 122-passenger Clipper Adventurer will tour both the "bottom of the world," including Antarctica, South Georgia and the Falklands, and the "top of the world," including Greenland, the Arctic and Maritime Canada.

Linblad Special Expeditions, a pioneer in out-of-the-way cruising, is offering year-round, 10-day voyages from Guayaquil, Ecuador, to the Galapagos Islands aboard the 80-passenger Polariss.

The Caribbean remains the most popular cruise destination, attracting 46.2 percent of

Switzerland; Paris, Bordeaux and the Loire Valley, and Italy and the Swiss Alps, including Venice, Milan, St. Moritz, the Matterhorn, Montreux and Geneva.

Classical Cruises' 12-day Mediterranean cruise, departing Lisbon on April 11, has a two-night pre-cruise package tour of Lisbon and a two-night post-cruise extension in Athens. Orient Lines and Costa Cruises also have Mediterranean cruises and land packages.

Alaska, too, is drawing more passengers. The number of passengers expected to sail on cruises there is 568,000, up from 373,000 in 1994.

This year Holland America and Princess Cruises, the industry leaders, will each sail six ships to Alaska, with 118 and 104 departures respectively, one more than their combined total of 221 last year.

Norwegian Cruise Line's two ships in Alaska this year will depart from Vancouver, as do most cruise ships, but next year will offer regular cruises departing from Seattle. A half-dozen small ships will also sail to or within Alaska this year, including seven from Alaska Sightseeing/Cruise West and two 12-passenger ships from Alaska Yacht Safaris.

Finally, while southern Florida remains the home port for most major cruise lines, occasional or seasonal cruises are steadily increasing from a variety of other ports.

Celebrity will have 11 cruises this spring and summer from Charleston and Newport News, Virginia, and will replace its Celebration in Tampa, Florida, with the 2,600-passenger Carnival Sensation, which will sail weekly to Grand Cayman, Playa del Carmen, Cozumel and New Orleans.

A record number of cruise ships are expected in the Mediterranean this year.

the market. But its share has fallen from 50.5 percent in 1996, in part because the industry has expanded its range and itineraries, while the combined share of European and Caribbean cruises has climbed steadily into second place with 19.6 percent, followed by Alaska with 8.4 percent.

More than 20 cruise lines will sail the Mediterranean and elsewhere in Europe this year, some of them from April to November. Celebrity will visit the Mediterranean for the first time, its 1,750-passenger Century sailing 11-night to 14-night cruises between April and October.

While often criticized as overpriced, land packages have made more of Europe available to more cruise passengers. Princess, for example, is enhancing its seven 12-day Mediterranean sailings this year with tours covering Germany, Austria and

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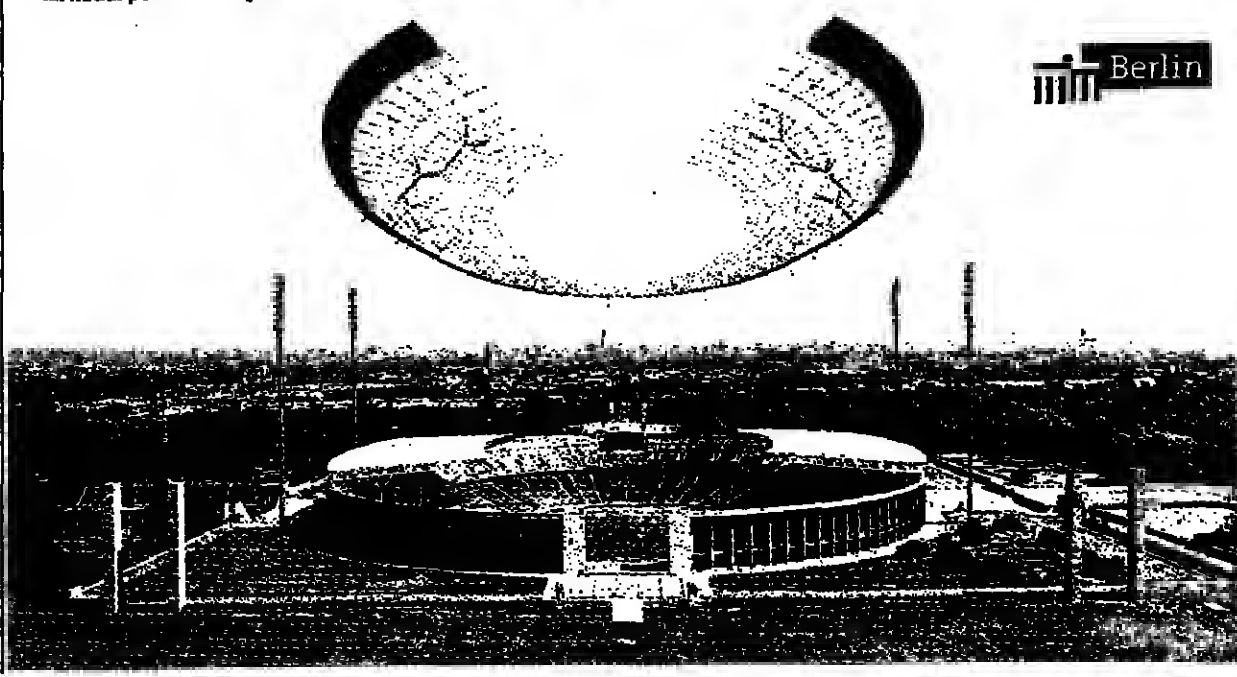
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INTERNATIONAL

At Quiet French Castle, the Gates Are Open for Kosovo Peace

By Craig R. Whitney
New York Times Service

RAMBOUILLET, France — The former royal French hunting castle where peace negotiations on Kosovo are scheduled to start Saturday is a world away from Wright-Patterson Air Force Base in Dayton, Ohio, where similar talks led to an uneasy peace for Bosnia in 1995.

Dayton bristled with intimidating American military might and technological prowess. Rambouillet is a backwater tourist attraction subsisting on past glory, a cozy 18th-century brick castle attached to a 14th-century stone tower at the edge of the town, an hour or so southwest of Paris.

After the French foreign minister, Hubert Vedrine, and the British foreign secretary, Robin Cook, the co-chairmen of the talks, formally open the negotiations Saturday afternoon, French officials say they plan to close the tall iron gates and leave Serbian, Kosovo Albanian and international negotiators inside to talk, eat, and sleep in the 30 bedrooms of the castle until they produce an accord.

"The principle is to force the different parties to work out an agreement, and communication is not the first priority," said Bernard Valero, a French Foreign Ministry official, indicating that blow-by-blow accounts would come from the participants if at all, not from the organizers.

In theory, the negotiators will be cooped up until they produce an agreement that gives the province, which is 90 percent ethnic Albanian, autonomy from Serbia for a three-year interim period.

They will have no more than two



Rambouillet castle, an official residence of French presidents near Paris and the venue for Kosovo peace talks.

weeks from Saturday to agree, and if they do, Britain, France, the United States, Germany and other countries would be expected to send in a force of 20,000 to 30,000 troops to keep the peace. If there is no agreement, NATO warplanes could go into action against Serbian military targets, unless the ethnic Albanian side is the principal obstacle to peace.

Isolation, or at least as much as is possible in the age of portable phones, and the ever-present pressure of possible military intervention was also key to success in Dayton.

But then as now, the real key to peace was held by Slobodan Milosevic, president of Yugoslavia, the leader of the side whose brutal attacks against ci-

vilians had finally made the international community ready to use military force to stop those attacks.

Though Mr. Milosevic came to Dayton, he is not expected to come to Rambouillet, but instead to send a delegation headed by a deputy, Milan Milutinovic. Mr. Milutinovic told the chief U.S. negotiator in the Dayton talks,

Richard Holbrooke, in 1995 that he would have no authority or flexibility in any talks on Bosnia because, he said, "The Master," meaning Mr. Milosevic, "will pull all the strings."

Mr. Holbrooke, whose relationship with all the protagonists and whose connections with the Clinton administration were crucial to success at Dayton, will not be in Rambouillet either.

"Those considering other Daytonos should proceed with caution," Mr. Holbrooke wrote in his memoir of the Bosnia talks, "To End a War," published last year by Random House.

"It is a high-wire act without a safety net," he went on. "Much work must precede the plunge into such an all-or-nothing environment. The site must be just right. The goals must be clearly defined. A single host nation must be in firm control, but it is high risk for the host, whose prestige is on the line. The consequences of failure are great."

In a telephone interview, Mr. Holbrooke said that he would be in daily phone contact with the lead mediator in the Rambouillet talks, Christopher Hill, the U.S. ambassador to Macedonia, who was Mr. Holbrooke's chief deputy in the Dayton negotiations.

Mr. Hill, shuttling between Belgrade and Pristina, has developed the kind of relationship with Serbian and Kosovo Albanian representatives that he and Mr. Holbrooke had with Serbian, Croatian, and Bosnian leaders in Dayton.

And it was Mr. Hill who, with a European Union negotiator, Wolfgang Petritsch, developed the 20-page framework for the negotiations that Mr. Cook presented to both sides last weekend, along with an ultimatum for the Serbs to appear at the talks or face NATO bombing.

"It's all going to come down to Chris, who's been designated the Contact Group negotiator, not the American one," Mr. Holbrooke said, referring to the six-nation group — the United States, France, Britain, Italy, Germany and Russia — that called the talks.

"I think the chances are greater than 50-50 for an acceptable outcome," Mr. Holbrooke said. "The key to the whole thing is a permitted entry into Yugoslavia by NATO ground troops, and the allies will be there if we're there."

But the ethnic Albanian delegation is fragmented, with political leaders including both Ibrahim Rugova, head of the Democratic League of Kosovo, and Rexhep Zosja, a longtime rival, and five representatives of the Kosovo Liberation Army, whose continuous attacks after a cease-fire Mr. Holbrooke negotiated in October with Mr. Rugova precipitated brutal Serbian attacks against civilian population centers.

Only after Serbian police forces killed 40 civilians in the village of Racak Jan. 15 did the North Atlantic Treaty Organization reactivate the bombing threat, to back up a Contact Group ultimatum to both sides to start peace talks.

BRIEFLY

Top Suspect in Cairo Vows Anti-U.S. Action

CAIRO — The main suspect in the largest-ever military trial of Egyptian Islamists warned from his prison cage in court Thursday that Muslim terrorists were planning to target U.S. interests around the world.

"The two anti-American attacks in Kenya and Tanzania were not simply advertisements," said Ahmed Ibrahim Naggar, referring to the bombings of U.S. embassies last August that left 224 dead and hundreds wounded.

The trial of 107 Muslim fundamentalist leaders from the movement Al Jihad opened Monday in northern Cairo at the Hukstep military high court; the court's verdict cannot be appealed.

Sixty-three of the men are being tried in absentia. Of the 44 present in court, including Mr. Naggar, all pleaded not guilty. (AFP)

A Plot to Attack Jews Is Laid to 40 in Gaza

GAZA — The Palestinian police said here Thursday that they had rounded up 40 Islamic militants who, suspected of being financed by \$35 million from Iran, had been plotting attacks on Jewish settlers in the Gaza Strip.

Major General Ghazi Jabali said the police also had seized arms and explosives collected by the 40 members of Izz al-Deen al-Qassab, the underground military wing of Hamas, for sabotage operations, including one planned in the next two weeks.

"We have documents that they have already received \$35 million to carry out sabotage operations against Israelis in the Gaza Strip," General Jabali said. He added that the money had come from unspecified parties in Iran.

Although the Palestinian arrest of Hamas activists has been sought by Israel as part of its peace deals with the Palestinians, the roundup appeared motivated by domestic concerns. (AFP)

Saddam and Aides Review Air Defenses

BAGHDAD — President Saddam Hussein and his top aides discussed Thursday how to improve Iraq's air defenses to confront U.S. and British warplanes, the Iraqi News Agency reported.

Earlier in the week, Mr. Saddam gave orders to pay 25 million dinars (\$14,000) to any air defense troops who shot down a hostile aircraft.

A senior member of the governing Baath, Abdul-Ghani Abdul-Ghaffar, said Iraq would continue to challenge Western-imposed no-fly zones in southern and northern Iraq. (Reuters)

KOSOVO: Belgrade Orders Delegates to Peace Talks to Be Tough

Continued from Page 1

ering" deploying American troops as part of an international peace force in Kosovo.

It was the first time that Mr. Clinton had spoken publicly about committing U.S. forces to such an effort. But Mr. Clinton stressed that no final decision had yet been made, and he laid out specific conditions that must attend a U.S. role.

Mr. Clinton's comments, and a speech later in the day by Secretary of State Madeleine Albright, are part of an accelerating campaign to prepare the American public for the likelihood of sending troops once again to the Balkans and to gain support for that effort.

Defense Secretary William Cohen had made similar remarks to a Senate committee Wednesday.

Congress has been reacting skeptically to the Clinton administration's suggestions that U.S. troops might be needed to help NATO enforce a peace plan in Kosovo. But Mr. Clinton said he was concerned that the violence, if un-

checked, could spread to Albania and Macedonia and even draw in Greece and Turkey.

Speaking to a group of business leaders, Mr. Clinton said, "If a settlement is reached, a NATO presence on the ground in Kosovo could prove essential in giving both sides the confidence they need to pull back from their fight."

"If that happens, we are seriously considering the possibility of our participation in such a force," he said. "We are discussing it now with Congress and our allies, but no decision has been reached."

Mr. Clinton said the European allies should make up the bulk of a peace force in Kosovo, the province in Serbia where Serbs and ethnic Albanians have been enmeshed in civil war for nearly a year. In his speech, Mrs. Albright said, "Our contribution will be no more than several thousand troops," with Europeans providing the bulk of any peace-keeping force.

She said the United States had an indispensable role to play in the Balkans and "compelling reasons" to get deeply

involved in Kosovo peacekeeping.

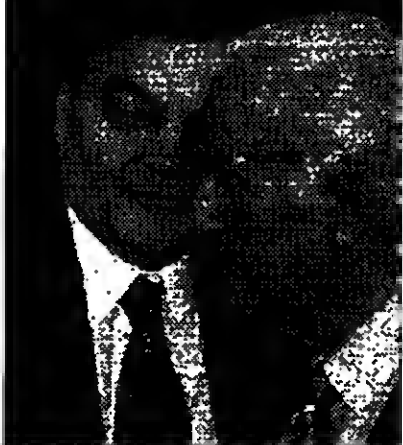
Leveling another threat at President Slobodan Milosevic of Serbia, even after its Parliament voted to participate in the peace talks, Mrs. Albright said "he can expect air strikes" if his forces continue to repress ethnic Albanians in the province.

Mr. Clinton was adamant that no troops should be committed before the parties agreed to stop fighting.

Under pressure from senators at a public hearing Wednesday, General Henry Shelton, chairman of the Joint Chiefs of Staff, put potential U.S. troop involvement in Kosovo at between 2,000 and 4,000 if NATO settled on an overall force of 20,000.

Mr. Clinton, making the case for intensified involvement, said the United States had worked for years to restore peace in the former Yugoslavia and was proud of its role in ending the war in Bosnia.

Some 28,000 troops were initially sent to enforce a 1995 U.S.-brokered peace accord there, but that number is now greatly diminished, he said.



Prime Minister Mirko Marjanovic, right, and Vice President Milovan Bojic at the Serbian Parliament.

He said the biggest remaining danger to peace and stability in Europe was the fighting in Kosovo.

"The Balkans are an explosive area," the president said. (Reuters, AP)

Rushdie Gets Visa to Visit Homeland

New York Times Service

NEW DELHI — Salman Rushdie, acclaimed Indian-born novelist and deposed Indian-born pariah, has been granted a visa to return to his native land, the country whose ban of his book "The Satanic Verses" began a chain of events that led to death threats by offended Muslims and a life in hiding for a writer with a price on his head.

The decision, made within the highest reaches of the Indian government, was confirmed Thursday by a spokesman for the Ministry of External Affairs. When it was broadcast, it triggered immediate threats of violent demonstrations.

"We will protest within a constitutional framework, but I warn the government of India that a righteous follower of the Holy Prophet may make an attempt on Mr. Rushdie's life and each Muslim will be proud of this person," said Syed Ahmad Bukhari, deputy priest of Jama Masjid, the best-known mosque in New Delhi.

"Mr. Rushdie wrote a book that hurt the Muslims of the world," he said. "The painful memories are still in the minds of people. If the government goes ahead with its plans, Muslims will not tolerate this. I appeal to the government to stop it."

Foreign Minister Jaswant Singh said in London that India would provide "all adequate security" for Mr. Rushdie. While the British author, born in Bombay, has used India as the inspiration for much of his work — and continues to do so — he has repeatedly been denied a visa since "The Satanic Verses" was published in 1988.

"It's been a long struggle," Mr. Rushdie said Thursday in an interview. "It's a terrible thing to be unable to go to the country of one's birth, and it's been over 10 years, which is certainly the longest gap in my life."

"It feels like another step back into the light. I've got aunts and uncles and cousins and friends littered all over the country."

This "step back into the light" follows a major stride from hiding last September, when Iran's foreign minister, Kamal Kharazmi, distanced his government from a fatwa, or religious edict, that had been issued by Ayatollah Ruhollah Khomeini in 1989. The Iranian revolutionary leader, who died later that year, had charged Mr. Rushdie with blasphemy and called for his death.

Since Mr. Kharazmi's statement, other Muslims in Iran and elsewhere have declared that the fatwa cannot be rescinded. Indeed, hard-line groups have added bounties on the author's head that now exceed \$3 million.

Prague Spy Scandal Raises Concerns Over Czech Entry Into NATO

By Peter S. Green
International Herald Tribune

PRAGUE — As the Czech Republic prepares to join NATO this year, a murky spy scandal has erupted in Prague that raises concerns among top officials that the country could not keep secrets while uncovering an alleged Iraqi plot to blow up the Prague headquarters of the U.S.-owned Radio Free Europe.

On Sunday, a Czech television station disclosed the name of the chief British spy in Prague after alleging that he had been behind the dismissal several days earlier of Karel Valters, the head of the Czech counterintelligence service, the BIS.

Speculation in the press and guarded statements by government officials suggested that renegade Czech intelligence officers, upset over the firing of their boss, had leaked the story to the TV station.

President Vaclav Havel said he was "uncertain about how enthusiastically" NATO members would share intelligence with the Czechs "when they see how in the Czech Republic absolutely everything gets gossiped about."

The Czech Republic, Hungary and Poland are expected to join the North Atlantic Treaty Organization at its summit meeting in April.

According to Czech press reports, the Briton, allegedly an agent of the MI-6 overseas intelligence service, was upset over the Czech handling of an Iraqi diplomat who had been asked by Baghdad to blow up Radio Free Europe's building in the center of Prague.

The British Embassy has declined all comment on the matter.

The Czechs say officially that they do not have to give reasons why Mr. Valters was dismissed.

Radio Free Europe began broadcasting to Iraq on Oct. 31 as part of U.S. efforts to undermine the regime of Saddam Hussein.

The Iraqi diplomat was reportedly working for MI-6, feeding information about Iraqi arms purchases in Eastern Europe, local press reports said, and had no intention of carrying out plans to attack the radio station.

But the British were upset with the Czechs' role in handling the Iraqi, according to press reports here, and that led to Mr. Valters' firing and the subsequent leaks.

Foreign Minister Jan Kavan said he was "appalled" that the scandal had broken "one day after I received an official letter from NATO Secretary-General Javier Solana inviting the Czech Republic to NATO." He said that the scandal might create

the impression that the Czech Republic was not a reliable ally.

One Western diplomat said that leaking the British agent's name alone did not mean that NATO members thought the Czechs were prone to leaking secrets. "It's dangerous to make sweeping generalizations about Czech intelligence services from one statement," he said.

But not everyone agreed. "Information has often been leaked since 1992, and this was not only done by the Communists," said Jan Klas, chairman of the parliamentary committee overseeing the intelligence services. "Information was also leaked by people who were not Communist deputies." The Czech Communist Party has about 20 seats in the current Parliament.

The Communist leader, Miroslav Grebenicek, has said that he is party wants to use classified information from parliamentary meetings to "disarm" NATO.

"The disclosure endangers the Czech Republic's foreign policy and security," said Senator Michal Zemanovsky, a former ambassador to the United States.

In fact, the Czechs have a history of security lapses that has already raised eyebrows.

About two years ago, a senior Czech intel-

ligence official left a laptop computer containing the names of dozens of Czech overseas agents in a Prague pub where he had been drinking. Czech officials never managed to recover the computer.

Mr. Kavan, the foreign minister, told journalists in December that an "Arab terrorist" was actively preparing to attack Radio Free Europe. Mr. Kavan was roundly condemned for handing out what appeared to be secret information.

Two years ago, U.S. and other NATO country officials complained to Prague about the slow pace of security checks on officials who would be handling classified information once the Czech Republic joined NATO.

Radio Free Europe officials said they had not been informed that any attacks had been planned against the station, and Czech press reports say that the Iraqi diplomat allegedly involved in the Valters affair, Jaber Salim, left Prague in December with his wife, children and 150 suitcases.

Radio Free Europe broadcast to Communist-controlled Czechoslovakia for more than three decades, but when it began broadcasting to Iraq from its new home in Prague, Czech leaders said they feared Iraqi retribution, warned that they would monitor the broadcasts and said they might try to block the new Radio Free Iraq service.

ARAFAT: Palestinian Leader's Wife Plays a Key Role, and Not From Behind the Scenes

Continued from Page 1

vision with advisers she believes are dragging down Mr. Arafat and the Palestinian people.

"Every beautiful flower ends up surrounded by weeds," she said. "I'm fed up with criticizing them. It doesn't do any good. History will be their judge."

Nonetheless, during a long afternoon in the living room of their home, Mrs. Arafat — surrounded by images of Jesus, Pope John Paul II and a young Mr. Arafat with lantern and gun — was scathingly critical of many key ventures of the Palestinian Authority.

She dismissed the new Yasser Arafat International Airport, which operates under strict Israeli security supervision, as "a branch of Ben Gurion in Gaza," referring to the airport outside Tel Aviv.

She ridiculed the thriving Palestinian-run casino in Jericho as "a disgrace." "I hate it," she said. "It's the most shameful act that the economic counselors of the Palestinian Authority did. Right across from a refugee camp, no less. We have no hospitals, no sewage, sick children, a whole sick society. But, oh, we have gambling. Great!"

And she mocked the American-brokered peace agreement signed by her husband and Prime Minister Benjamin Netanyahu of Israel in October.

She did not attend the signing ceremony in Washington, and since the agreement's fulfillment has been frozen for two months, she feels justified.

"Each time we're going to get how many new inches of land, we have to make a celebration?" she said. "It turns

out it was only a photo opportunity."

For years after they were secretly married in Tunis almost a decade ago, Mrs. Arafat was dismissed as a "decoration" for the longtime bachelor, particularly by the inner circle of the Palestine Liberation Organization, who could not bear the sight of their fearless leader making goo-goo eyes.

"It was not easy to enter into their world," she said. "It is a man's world, and very closed — like a family with a lot of intermarriages, and, well, you know the result of that."

"The president is doing a lot. Sometimes he screams at me when he comes home. Can you imagine today you cost me \$100,000, Suha? But he is very kind this way."

But by speaking her mind and by establishing humanitarian institutions in Gaza, Mrs. Arafat has earned a place for herself as a leader in her own right.

"She is like a big mother for the people," said Randa Bania, the director-general for international relations at the Palestinian Tourism Ministry. "She feels a lot for their miseries, and she's very popular because of it. At first they wanted to make her out to be frivolous, but really she lives much more modestly than the wife of almost any minister in her husband's government."

In "Arafat, From Defender to Dictator," a new biography published in London by Bloomsbury, Said Aburish, a Palestinian-born journalist, said he had tried to but could not find any basis to

rumors that Mrs. Arafat took advantage of her role by making business deals.

As she did this past autumn, Mrs. Arafat often spends months at a time abroad, usually in Paris, where her parents keep an apartment.

That has fueled other rumors, that she was away on shopping sprees, but she said she spent most of her time there raising money for her relief organizations. In her Gaza lifestyle, there is no obvious bounty of any mad spending.

Compared with the villas of some Palestinian officials and businessmen,

the simple house rented by the Arafats is humdrum and middle-class. Mrs. Arafat said she had to beg her husband to add the second-floor addition so she and Zahwa would not have to share the lower floor's two rooms with the Palestinian leader's security entourage.

When she finally unveiled the tasteful but hardly lavish second floor, Mr. Arafat told her it looked like a cabaret and returned to his monk's quarters downstairs, she said.

When Mrs. Arafat is in town, she visits Gaza's refugee camps regularly, soaking up their tales of hardship and also their complaints about her husband's government, many of which she cannot help but agree with.

Mrs. Arafat endeavored herself to many

in the camps when she refused on principle to accept a VIP pass from the Israelis that would have allowed her to cross Israeli roadblocks without the hassle that most Palestinians face.

Mrs. Arafat keeps a small office at one of her relief organizations, a foundation for physically disabled children. The center is a bright and modern place, filled with the latest developmental toys, and Mrs. Arafat seems to have a personal relationship with the children.

They stroke her hair, and she hands out chocolates and quizzes the teachers about their progress. Presented with a problem by her staff, she wonders aloud if she can find a donor to solve it, remarking that a French delegation will be visiting.

"Some people in the Authority are not very helpful," she said. "They want to talk politics but not humanitarian things. But people are fed up with politics."

"The president is doing a lot," she continued, referring to her husband. "Sometimes he screams at me when he comes home. Can you imagine today you cost me \$100,000, Suha? But he is very kind this way."

Sipping black coffee spiced with cardamom, Mrs. Arafat spoke of intense pressures on her husband to put off the declaration of a Palestinian state on May 4, the date that the Oslo peace accord set for the conclusion of a final agreement between Israel and the Palestinians.

"I think, as Suha and not as the wife of Arafat, that this date is sacred," she said. "And nobody in the world has the right to make us bargain it away. We can't go on and on in this ambiguous condition."

HUSSEIN: Heading for Home

Continued from Page 1

known to have been assured by Crown Prince Abdullah and his aides that Jordanian foreign policy under a new regime would continue essentially unchanged, with a continuing commitment to the peace process with Israel and eventual statehood for the Palestinians in the Gaza Strip and formerly Jordanian West Bank.

Liver and Kidney Failure

A medical source said King Hussein's liver and kidney have stopped working. Agence France-Presse reported Thursday from Amman. The king has had only one kidney since 1992, when his left organ was removed after a previous cancer scare.

The monarch decided to return home following the failure of the bone marrow transplant carried out on Tuesday, according to a senior Jordanian official. The cells were taken in December from his younger brother, Mohammed, and sister, Basma.

King Hussein was to arrive in Jordan on Friday morning and "will continue his treatment in the country," an official said, without specifying what treatment he would receive.

A Jordanian diplomat in Washington said by telephone that Queen Nor and other members of the royal family were flying back to Amman with the king.

Jordanians — 80 percent of whom have known no other monarch — were shocked at the news.

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BRIEFLY

Top Suspect in Cairo
Faces Anti-U.S. Action

CAIRO — The main suspect in the largest-ever military trial of Egyptian Islamists was charged Thursday with plotting to target U.S. troops around the world.

The two anti-American attacks in Egypt and Tanzania were not enough, said Ahmed Ibrahim, referring to the bombings of the U.S. embassies last August that left 25 dead and hundreds wounded.

The trial of 107 Muslim fundamentalist leaders from the movement that opened Monday in northern Cairo at the Hakeem military high court is the largest in Egypt's history. Thirty-three of the men are being held in custody. Of the 44 present in court, Mr. Naggar, all pleaded guilty.

Plot to Attack Jews
Laid to 40 in Gaza

GAZA — The Palestinian police said Thursday that they had rounded up 40 Islamic militants who, suspected of being financed by \$35 million from Iran, were plotting attacks on Jewish sites in the Gaza Strip.

Major General Ghazi Jabali said the men also had seized arms and explosives collected by the 40 members of the Hamas al-Qassam, the underground military wing of Hamas, for sabotage operations, including one planned in two weeks.

"We have documents that they have received \$35 million to carry out sabotage operations against Israeli targets in the Gaza Strip," General Jabali said. He said the money had come from unspecified parties in Iran.

Although the Palestinian army and security forces have been active in the Gaza Strip, the roundup appeared to be motivated by domestic concerns.

Saddam and Aides
Review Air Defenses

BAAGDAD — President Saddam Hussein and his top aides discussed Thursday how to improve Iraq's air defenses to confront U.S. and British jets, the Iraqi News Agency reported.

In the week, Mr. Saddam reportedly paid 25 million dollars (\$140 million) to defense troops who shot down a U.S. jet.

A senior member of the governing Baath Party, Ghazi Abdul-Ghaffar, said Iraq would continue to challenge Western no-fly zones in southern Iraq.

NATO

A laptop computer containing a list of Czech undercover agents in the Balkans had been found in a car in Prague, Czech Republic, police said Thursday.

The list, which was found in a car belonging to a Czech minister, told names and addresses of agents involved in the Balkans. It was found in a car belonging to a Czech minister, told names and addresses of agents involved in the Balkans.

U.S. and other NATO country officials said they had no information about the list. Czech officials said they had been planning any attacks had been planned by Czech press reports of an alleged involvement in the Balkans. Left Prague in December, children and 150 soldiers were broadcast to Communism.

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MUSSEIN:
Heading for Home

Continued from Page 1

It has been assumed by some that Saddam and his aides had fled to foreign lands, but a new report would continue to suggest that he would continue to stay in Iraq with a continuing commitment to the process with Iraq.

Mr. Hussein was taken in December to a Jordanian camp, where he was held for a period of time.

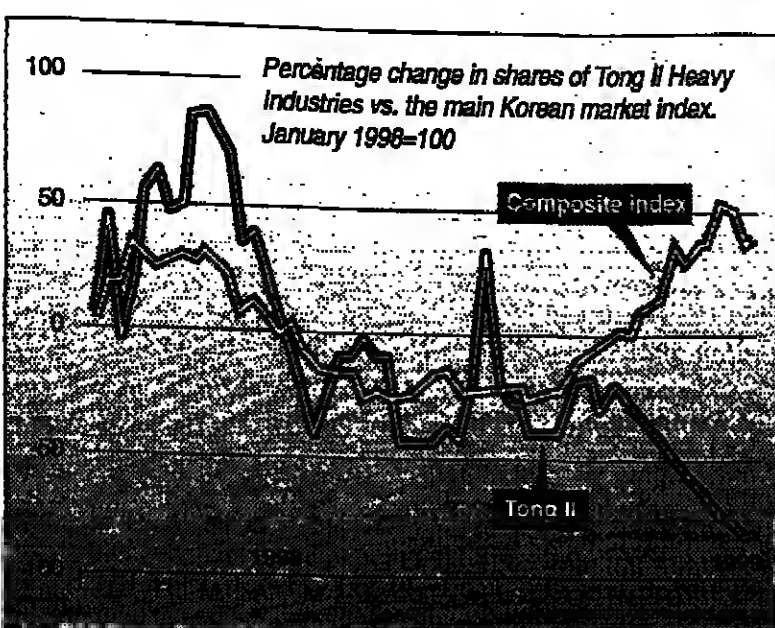
Mr. Hussein was taken in December to a Jordanian camp, where he was held for a period of time.

and Kidney Failure

Medical sources said King Hussein's kidney failure had stopped working. The French Press reported that the king's health had been deteriorating since 1992, when he was removed after a previous illness.

The monarch decided to return home after the failure of the Jordanian government to carry out a new Jordanian constitution to a Jordanian monarch who was taken in December to a Jordanian camp, where he was held for a period of time.

Mr. Hussein was taken in December to a Jordanian camp, where he was held for a period of time.



The Reverend Sun Moon and his wife officiating at a mass wedding ceremony at Madison Square Garden in 1998. The ceremony, which was in Seoul, is scheduled for Sunday and will have 40,000 couples.

Reverend Moon Rises Above Ailing Businesses

By Don Kirk
International Herald Tribune

SEOUL — The Reverend Sun Myung Moon, leader of the Unification Church, opened a "world culture and sports festival" Thursday night asking participants: "What happens to us when we die?" His temporal business empire in South Korea, meanwhile, was asking: How do we repay debts approaching \$2 billion?

Weakness emerged within the Tong Il group, a conglomerate whose name means "unification," as Mr. Moon toured South Korea over the past week drumming up support for his church and his companies.

"The Tong Il companies suffer from bad management," said Huh Man Jo, who is monitoring the restructuring efforts of Korea's chaebol, or conglomerates, for the government's newly formed financial supervisory service. "They relied too much on church donations. It was a kind of moral hazard."

Mr. Huh said the debts of the group's 16 companies exceed 2 trillion won (\$1.7 billion).

Its four leading companies, which manufacture products ranging from ginseng tea to tank guns, were all bankrupt awaiting reorganization under court supervision, he said.

Mr. Moon appeared oblivious to his earthly problems Thursday night. Alexander Haig, a former secretary of state and White House chief of staff during Richard Nixon's presidency, introduced him as "a leading force for inter-religious dialogue and understanding between peoples of all backgrounds."

The closest Mr. Moon came to mentioning the companies that he founded in the 1960s as the basis for his worldwide ministry was when he told a rap audience that "Earth is but a speck of dust."

The spirit world that people enter after death transcends time and space, Mr. Moon said, speaking in Korean after a six-course banquet. Interpreters translated into seven languages for an audience that included former Third World heads of state and ambassadors.

"There are no factories there to produce food," Mr. Moon said. "There are no automobile factories. There is nothing like that."

In the real world, the Tong Il group's flagship Tong Il Heavy Industries Co., founded in 1962, has suffered the most of any of the companies in the group.

The factory, which produces motor vehicle transmissions, has had to lay off 40 percent of its

church. The festival is scheduled to wind up Sunday with a mass wedding in which 40,000 couples will exchange vows in Seoul's Olympic Stadium in a ceremony broadcast worldwide by cable. As in previous mass weddings, Mr. Moon himself has personally selected many of the marriage partners flying in from throughout the world, from submitted photographs and brief biographies.

Periodically, however, the realities of South Korea's economic crisis intruded upon his national tour.

At stops on the way, workers who had lost their jobs staged demonstrations accusing Mr. Moon's lieutenants of illegally dismissing them without pay. During an appearance in Pusan, South Korea's largest port city, workers from Tong Il Heavy Industries briefly threatened violence.

Mr. Moon did not talk directly to the workers, leaving negotiations to his lieutenants. The response from management was not sympathetic.

"They want to get money from the company," said Ahn Ho Yeol, vice president in charge of the Korean branch of its Youth Federation for World Peace. "We cannot make money. They did not work. We did not offer them money."

Mr. Moon opened his remarks Thursday night by calling for "the realization of a culture of love, a global culture of heart."

Pak Bo Hee, who co-founded The Washington Times with Mr. Moon, goes to North Korea on Monday to negotiate the rights to open a tourist service to the North and to join the celebration of the 57th birthday of the North Korean leader Kim Jong Il on Feb. 16.

Tong Il Heavy Industries, meanwhile, survives on military contracts that it first obtained during the rule of Park Chung Hee, a former general who ruled South Korea for 18 years until his assassination in 1979. "We make rifles and cannon for tanks," said a company official. "The contract is going on."



Reverend Sun Moon and his wife officiating at a mass wedding ceremony at Madison Square Garden in 1998. The ceremony, which was in Seoul, is scheduled for Sunday and will have 40,000 couples.

The Tong Il companies suffer from bad management. They relied too much on church donations. It was a kind of moral hazard, said Huh Man Jo, who is monitoring the restructuring efforts of Korea's chaebol, or conglomerates, for the government.

Thinking Ahead / Commentary

Debate, but Little Disagreement, on Capitalism

By Reginald Dale
International Herald Tribune

WASHINGTON — When the Old Testament preacher proclaimed that "there is no new thing under the sun," he may not have known about cloning or the Internet. But his words should not be taken too literally: It is not new things that are rare, but new ideas.

Nowhere is that more true than in the realm of international economics, particularly in this era of unusual global consensus. With the ideological struggle of the Cold War over and virtually every country broadly embracing capitalist principles, there is less scope for sweeping disagreements. The extremes have come closer together.

The fallout from the Asian financial crisis is narrowing the gap still further. The Asia that emerges from the crisis will in many ways look more like the West, with sounder and better-supervised banking systems, less political interference in business and internationally accepted standards of corporate transparency and accountability.

In Western Europe, nominally center-left parties are usurping free-market policies that used to belong to the center-right, while in the

United States, President Bill Clinton has stolen much of the Republicans' economic clothing. Conservative parties are wondering how to recapture the center.

One way to make your ideas stand out in this relatively bland climate is to exaggerate the extremism of your opponents. Center-left parties, for instance, like to create the impression that there is still a large body of more rabid opinion to their right, so

The extremes have come closer together. One way to make your ideas stand out in this relatively bland climate is to exaggerate the extremism of your opponents.

as to reassure old-time supporters that they have not moved too far from their traditional roots.

Dominique Strauss-Kahn, the Socialist finance minister of France, recently outlined some fairly mainstream ideas on international monetary reform and claimed that they had at first been denounced as

heretical by "free-market fundamentalists."

Others with reservations about economic globalization continue to lambaste its advocates as ideological devotees of "untrammeled free markets." But the truth is that very few people on the right have ever adopted such extreme positions, and many of the "fundamentalists" have actually softened their views.

Even in the United States, most free-market enthusiasts increasingly accept the need to look after victims of globalization and concede that different countries can develop their own valid models of capitalism.

Of course, there are still extremists on both sides. Important divisions remain on explosive issues such as how far rules on working conditions should be built into the world trading system and the distinction between "free" and "fair" trade.

But by and large, the differences are over how to achieve democratic, free-market goals, not over their desirability. The disagreements concern not ends, but means — how much regulation is necessary, whether floating or fixed exchange rates are better and whether there is a case for capital controls in certain circumstances.

In a book just published by the

Malaysia Eases Fund Flows

New Measures Aim to Rekindle Foreign Investment

By Thomas Fuller
International Herald Tribune

KUALA LUMPUR — Malaysia said Thursday it would ease the tough controls it imposed last September on currency flows, edging its way back into the global financial markets in a bid to encourage the return of foreign investors.

While leaving in place the main components of its capital controls, Malaysia altered a key part by introducing an "exit tax" aimed at discouraging short-term investment and money flows. The new tax replaces the temporary rule introduced last September that had banned foreigners from repatriating their money for 12 months and that had trapped about \$3 billion of foreign equity investment in the country.

The measure makes Malaysia the first East Asian country to introduce such a tax on foreign investment. Remaining in place are a freeze in the value of the ringgit against the dollar, a ban on trading of the Malaysian currency abroad and limits on how much foreign currency Malaysians can take abroad.

The move announced Thursday, which was made in consultation with two major Wall Street investment banks, is an effort to woo back "serious long-term investors," in the words of Prime Minister Mahatir bin Mohamad, and to avoid the type of market volatility seen during the early months of the current economic crisis.

Analysts generally applauded the announcement, but some voiced concern that the government was taxing only foreigners.

"It smacks to some degree of discrimination because it applies only to foreigners," said Mohammed Ariff, executive director of the Malaysian Institute of Economic Research. "If the idea is to penalize short-term portfolio investors because it creates volatility, then you must target short-term capital regardless of ownership — local or foreign."

"These new measures are aimed to encourage existing portfolio investors to take a longer-term view of their investments in Malaysia," Finance Minister Daim Zaiduddin said in a statement. The move, he added, would also help "attract new funds into the country, while at the same time discourage destabilizing short-term flows."

The government was relatively terse in explaining the measures, and foreign reporters were excluded from the press conference where Mr. Daim elaborated on the plan.

The purpose of the new measures is twofold: to ensure that foreign money that had been trapped in the country since September was not taken out all at once, and to encourage new foreign investors to keep their money in the country for at least a year.

To regulate the outflow of foreign money, the government imposed graduated levies on that money, with the rate declining the longer the money stays in the country. For new

foreign investment, a simple formula will apply: Profit taken out of the country less than a year after initial investment will be taxed at 30 percent, and profits repatriated thereafter will be taxed at 10 percent.

Attracting new foreign money is a key concern for Malaysia, which after imposing the capital controls found itself removed from a widely consulted benchmark index of world stock markets published by Morgan Stanley Capital International.

That move, analysts said, led many foreign investors to shy away from the stock market, cutting off a key source of funding for cash-strapped Malaysian companies.

"We think there could be some net foreign buying when Malaysia makes it back to the index," said Yeoh Keng Seng, head of research at Merrill Lynch in Kuala Lumpur.

"A lot of Malaysian companies need to recapitalize," Mr. Yeoh added. "And this may help these companies tap foreign money."

Malaysia's capital controls cut to the heart of a debate on what caused the massive outflow of money from Southeast Asian economies at the start of the region's economic crisis 18 months ago.

Mr. Mahatir and other officials contend that the primary cause of the dramatic drops in currencies and stock markets was trading by unregulated hedge funds and currency speculators. By slowing down the flow of capital, Malaysia believes it can avoid or lessen future shocks to its financial system.

Officials in Washington, however, blame the crisis on lax banking supervision and generally poor economic management. Stemming or slowing the flow of investment is not the answer, these officials say.

Although Malaysia's moves appear to run counter to Washington's vision of unfettered capital flows, two Wall Street investment banks — Salomon Smith Barney and Goldman Sachs — were instrumental in formulating the policy. The two firms competed to provide a plan acceptable to policymakers, according to a government adviser.

Salomon, the Malaysian government's official financial adviser, is said to have favored the exit tax. Goldman, according to the adviser, argued for a system of "most favored investors," which would have allowed investors judged to have more long-term interests in the country more freedom to move money in and out.

The government adopted Salomon's proposal after the firm arranged for meetings between fund managers and Mr. Mahatir. Government officials also met informally with officials from the World Bank and International Monetary Fund at the Genting Highlands resort outside of Kuala Lumpur several weeks ago.

"It was a matter of getting more views as seeing whether there was anything we had overlooked," said a government representative who attended the Genting meetings.

IMF Won't Speed Brazil Aid

RIO DE JANEIRO — The International Monetary Fund is not planning to accelerate the next installment of an aid package for Brazil, a spokesman said Thursday, adding that the money would probably be paid at the end of the month as planned.

"There are no plans yet to speed things up," said Francisco Bakker, the IMF's Latin America spokesman. "Everything is scheduled to run as normal."

Brazilian stocks and the currency rallied this week on speculation the IMF may speed up the next installment from a \$41.5 billion aid package arranged by the IMF. Brazil is expected to receive \$9 billion at the end of this month, on top of \$9.3 billion in December.

The IMF's No. 2 official, Stanley Fischer, was to leave the capital, Brasilia, late Thursday after negotiations with the Brazilian government. But members of his team will stay and continue talks into next week.

A local newspaper report said the two sides disagreed on what measures to take to ease Brazil's growing budget deficit. The government is talking at IMF demands for more spending cuts and tax increases, the newspaper *Gazeta Mercantil* reported.

"I'm quite sure the Fund is demanding a larger fiscal adjustment," said Carlos Eduardo de Freitas, an economist at Fundacao Getulio Vargas and former central bank director. "Brazil has always been reluctant to do fiscal adjustments."

The apparent lack of progress in the IMF

talks sent markets lower Thursday. The benchmark Bovespa stock index fell a slight 23.09 points to 8,652.94. The real fell, with the dollar rising to 1.80 reals from 1.76 reals Wednesday.

In exchange for accelerated aid, Brazil may have to propose new steps to cut its budget deficit of 73 billion reals (\$41.48 billion). It may also announce new mechanisms to steady the real, since reserves have dwindled to \$36 billion — including the first \$9.3 billion from the IMF package — from \$75 billion in August.

While Brazil needs interest rates to come down to reduce the cost of servicing 340 billion reals in debt, IMF officials insist on keeping interest rates high to keep prices under control and steady the currency.

The World Bank said Thursday it would consider speeding up the transfer of the next parcel of a \$4.5 billion loan agreed to last year. So far, the government has not requested an early transfer of the next \$1 billion tranche of that loan, which is part of the IMF rescue package.

(Bloomberg, AFP, Reuters)

Sao Paulo Economy Posts Decline

Industrial activity in Sao Paulo, Brazil's most populous state and industrial hub, fell 1.9 percent in 1998 from the previous year, the first decline in six years, according to the Sao Paulo Federation of Industries, Bloomberg-News reported.

The number of people employed in Sao Paulo's industries also fell 5.1 percent.

CURRENCY RATES									
Feb. 4					Feb. 4				
Other Dollar Values					Other Dollar Values				
Currency	Rate	Rate	Rate	Rate	Currency	Rate	Rate	Rate	Rate
Argentine peso	0.0099	1.00	100.00	100.00	Argentine peso	0.0099	1.00	100.00	100.00
Australian dollar	0.6975	1.00	100.00	100.00	Australian dollar	0.6975	1.00	100.00	100.00
Canadian dollar	0.6975	1.00	100.00	100.00	Canadian dollar	0.6975	1.00	100.00	100.00
Chinese yuan	8.2777	1.00	100.00	100.00	Chinese yuan	8.2777	1.00	100.00	100.00
French franc	6.5595	1.00	100.00	100.00	French franc	6.5595	1.00	100.00	100.00
German mark	1.9364	1.00	100.00	100.00	German mark	1.9364	1.00	100.00	100.00
Japanese yen	106.48	1.00	100.00	100.00	Japanese yen	106.48	1.00	100.00	100.00
South African rand	13.7466	1.00	100.00	100.00	South African rand	13.7466	1.00	100.00	100.00
Swedish krona	8.4664	1.00	100.00	100.00	Swedish krona	8.4664	1.00	100.00	100.00
Swiss franc	1.4336	1.00	100.00	100.00	Swiss franc	1.4336	1.00	100.00	100.00
Thai baht	54.8318	1.00	100.00	100.00	Thai baht	54.8318	1.00	100.00	100.00
UK pound	0.6975	1.00	100.00	100.00	UK pound	0.6975	1.00	100.00	100.00
US dollar	1.0000	1.00	100.00	100.00	US dollar	1.0000	1.00	100.00	100.00
West German mark	1.9364	1.00	100.00	100.00	West German mark	1.9364	1.00	100.00	100.00
Yen	106.48	1.00	100.00	100.00	Yen	106.48	1.00	100.00	100.00

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VW Plans to Add Big Truck Models

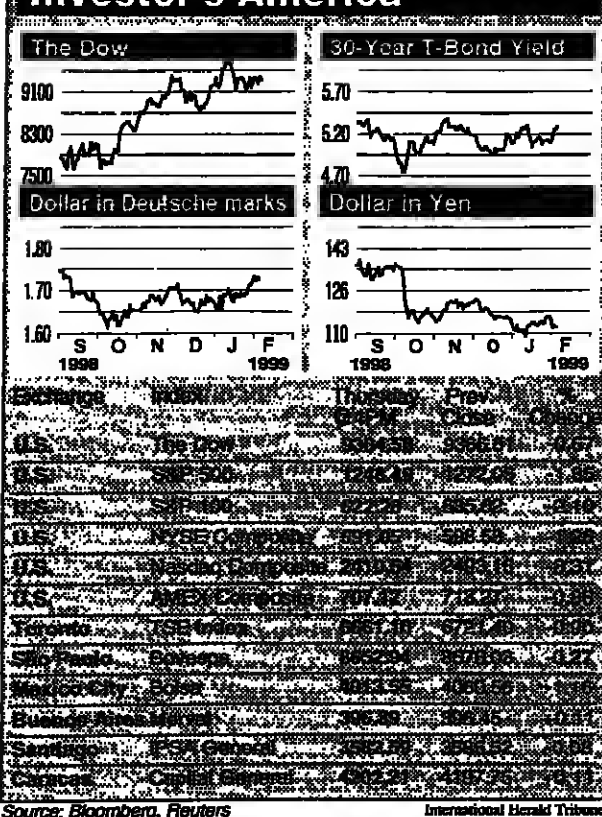
FRANKFURT — Volkswagen AG said Thursday it planned to add large and medium-sized trucks to its product range through cooperation with another company or an acquisition.

Volkswagen's chief executive, Ferdinand Piech, said Europe's biggest carmaker planned to begin offering trucks larger than 7.5 tons, according to prepared remarks to be delivered in Vienna.

"For the time being, we will expand our truck production ourselves until a suitable possibility arises" for an acquisition or cooperation, he said.

THE AMERICAS

Investor's America



Very briefly:

- AirTouch Communications Inc., the U.S. wireless phone company set to be acquired by Vodafone Group PLC of Britain, reported a 34 percent increase, to \$130 million, in fourth-quarter profit, driven by strong subscriber growth.
- St. Laurent Paperboard Inc. of Canada said its fourth-quarter loss widened to 10.6 million Canadian dollars (\$7 million) from 5 million dollars a year earlier because of lower prices for its packaging products and losses on foreign-exchange contracts.
- Grupo Inmsa SA of Mexico paid \$105 million for the galvanized and painted-steel units of Altos Hornos de Mexico SA, bolstering Inmsa's ability to sell steel to a booming Mexican automotive industry.
- TeleBank Financial Corp., which runs TeleBank, the largest U.S. branchless bank, plans to refund other banks' automated teller machine fees to customers who sign up through its advertising campaign with Yahoo! Inc.
- National Discount Brokers Group, an on-line brokerage firm, signed a partnership to become the featured trading service on Crosswalk.com, a Christian Web community run by Didax Inc.

Bloomberg, Reuters

Sales Jump at U.S. Retailers

The Associated Press

NEW YORK — January proved to be a better-than-expected month for U.S. retailers, who saw big sales gains as Americans bought up discounted merchandise.

The Merrill Lynch retail index, the investment firm's barometer of sales performance at department stores and discount chains, was up 6.4 percent in January, compared with a year earlier. It rose 3.4 percent in December.

The strong sales, reported Thursday, pleased merchants who had expected that consumers would scale back spending.

Technology Stocks Lead the Market Lower

Compiled by Our Staff From Dispatches

NEW YORK — U.S. stocks fell Thursday as new signs of economic strength increased speculation that the Federal Reserve Board may raise interest rates to head off inflation, threatening profits.

Intel Corp. led a decline in computer-related shares after an unfavorable analyst report, offsetting gains in Phelps Dodge and other

U.S. STOCKS

companies that do best in a growing economy.

The Dow Jones industrial average closed 62.31 points lower at 9,304.50, while the broader Standard & Poor's 500-stock index sank 23.58 points to close at 1,248.49. The Nasdaq composite was 82.87 points lower at 2,410.54.

On the New York Stock Exchange, declining issues outnumbered advancing ones by nearly a 2-to-1 ratio.

The Dow would have fallen further but for the strength of economically sensitive stocks, such as Minnesota Mining & Manufacturing, which rose 1 1/2 to close at 76 1/2, and International Paper, which rose 2 1/2 to close at 44 3/16.

"There is growing sponsorship behind the cyclical stocks and economically sensitive stocks, as people gain confidence that the economy is going to remain positive," said Alfred Goldman, director

of market analysis at A.G. Edwards & Sons Inc.

The Dow was also lifted by Eastman Kodak, which rose 2 1/4 to close at 68 1/4. The company announced it would develop new flat-panel display technology with Sanyo Electric Co. of Japan.

But the broader market was weaker, as investors pounded technology shares lower.

Intel dropped 8 9/16 to 130 1/4 after a Merrill Lynch & Co. analyst, Thomas Kurik, lowered his 1999 earnings estimate for the chipmaker, saying Intel's Celeron 400 megahertz chip was selling for \$90, down

Fears of U.S. Rate Rise Undermine Dollar

Bloomberg News

NEW YORK — The dollar declined against the yen and euro Thursday on speculation that economic growth was accelerating enough to prompt the Federal Reserve Board to raise U.S. interest rates this year, a move that would put pressure on U.S. stock and bond markets.

"The dollar's losses are just snowballing with equity and bond markets getting hit," said Alex Ignar, a trader at Generale Bank.

"Once the emotion is out of way and the dust settles, people will go back to buying dollars."

In late trading Thursday, the dollar fell to 112.025 yen from 112.975

yen on Wednesday.

The dollar also slipped against the euro, which rose to \$1.1335 from \$1.1295.

FOREIGN EXCHANGE

\$1.1295, even though the European Central Bank decided to leave interest rates unchanged.

The dollar fell to 1.4140 Swiss francs from 1.4173 francs.

The pound rose to \$1.6450 from \$1.6358.

Traders said the dollar's loss was also driven by unsubstantiated speculation that Japanese officials are encouraged companies to repatriate more cash before their financial year ends March 31.

is the future," said Howard Kornblum, a money manager for Pilgrim America Capital Corp. "We could have a rate increase if the Fed thinks the economy needs to be cooled down."

Stocks that do best in a growing economy rallied. The Morgan Stanley Cyclical Index gained 1.8 percent, while its consumer index rose 0.1 percent.

Copper producers' stocks gained. Phelps Dodge rose 4 1/4 to 47 1/4. The benchmark 30-year Treasury bond fell 15/32 to 99 10/32, pushing the yield up to 5.29 percent from 5.26 percent.

(Bloomberg, AP)

RATES: Bank of England Moves to Head Off Slowdown With a Half-Point Cut

Continued from Page 1

"It's clear that's what the economy needed," David Hillier, an economist at Barclays Capital, said of the British rate cut.

"We are in a low-inflation environment. The economy's slowing quite rapidly."

Like many economists, Mr. Hillier forecast that the European Central Bank would lower the key short-term interest rate for the euro zone by a quarter point, to 2.75 percent, by April.

"The ECB is going to have to cut sooner rather than later," he said.

In Frankfurt, Wim Duisenberg, the president of the bank, called the decline of the euro a "matter of puzzlement," but indicated that it would not affect policy. "It is not a matter of concern," he said after the council meeting.

Mr. Duisenberg also gave no indication that any move in interest rates was imminent. He said the European economy presented a

mixed picture, with weakness in industrial production and business confidence offset by strong consumer confidence and retail spending.

Figures released Thursday underscored that. Manufacturing orders fell 0.1 percent in December in Germany, the fifth straight monthly decline, while the statistical agency for the European Union reported that consumer confidence in the EU rose in December to its highest level since the survey was started several years ago.

Still, many analysts predict that the central bank will lower rates to counter the threat of a more serious slowdown, especially if unemployment rises. In addition, inflation is running at a rate of little more than 1 percent, and a variety of factors, from the global economic slump to the impact of the euro on price transparency in Europe, should drive the rate even lower.

"It's rather difficult to find where inflation is going to come from,"

said Mark Cliffe, chief European economist at ING Barings. "That gives the ECB a lot of leeway to cut rates." He predicted that rates in the euro zone would fall to 2.5 percent by midyear.

Analysts said the decline in the euro should help support the economy by bolstering a weak spot, manufacturing, through stronger export demand.

"Euro softness is actually what does more for business confidence in Germany and France than 20 basis points off the repo rate," said Alison Cottrell, senior European economist at PaineWebber.

The repo, or securities repurchase rate, is the benchmark European interest rate; 20 basis points is one-fifth of a percentage point.

In London, the Bank of England's Monetary Policy Committee indicated the rate cut was justified because of weakness in the global economy and softness in domestic price pressures and consumer demand.

The bank will issue its quarterly inflation report next week, and the rate cut suggested that the report would show inflation slipping below the bank's target rate of 2.5 percent.

Recent economic data have been weak, with figures showing that gross domestic product grew by just 0.2 percent in the fourth quarter of 1998, its slowest rate since 1992.

On Wednesday, a survey of purchasing managers indicated that activity in the services sector declined for a third consecutive month in January, while another survey indicated that retail sales fell last month.

Still, the evidence pointed to a continuation of recent weakness rather than any fresh deterioration, and many analysts were surprised when the central bank cut rates by a half point rather than making a more typical quarter-point reduction.

"There's a risk they've overdone it," said Neil Parker, an economist at the Royal Bank of Scotland.

N.Y. Checks On-Line Complaints

Compiled by Our Staff From Dispatches

NEW YORK — The state's attorney general has begun an investigation of the on-line trading industry after receiving "dozens" of complaints in the past month from consumers about delays in processing stock trades and about crashes of World Wide Web sites.

"The public knows that there are always risks involved in investing in the stock market," Attorney General Eliot Spitzer said. "But part of the risk should not include questions about whether trades will be executed promptly or whether on-line brokerage firms can deliver the services that they've promised."

The trading system for E*Trade Group Inc., the No. 3 on-line brokerage, crashed Thursday morning for the third time in two days. Ameritrade Holding Corp., the No. 6 Web broker, spent \$2 million to add capacity in late 1998 after a series of outages.

Mouse-clicking investors, many of them buying and selling shares of Internet companies, have increased their on-line trades by an estimated two-thirds since October, to more than 400,000 a day, analysts say. Brokerages have had trouble keeping up.

The New York State Law Department will send letters to several on-line brokerages asking that they provide documents, reports and "other information regarding their services," Scott Brown, a department spokesman, said.

A software problem continued to plague E*Trade on Thursday. Members who had signed on hoping to place trades were met with a message that read, "Access to some areas of your account may be temporarily unavailable."

Customers also were unable to make trades for more than 75 minutes during two separate outages Wednesday.

Brokers at the firm took telephone orders Thursday, but a swarm of jittered on-line traders jammed the lines, traders and analysts said.

E*Trade's shares fell \$1.75 to close at \$33.50.

(Bloomberg, AP)

U. S. STOCK MARKET DIARY

Thursday, Feb. 4

Indexes					Most Actives				
Dow Jones					NYSE				
	High	Low	Open	Close		Vol.	High	Low	Close
Industrials	9363.13	9297.96	9375.15	9364.39	AMD	127711	19	1779	1682
Transportation	3222.75	3192.75	3200.00	3201.25	IBM	127111	370	1074	1069
Utilities	3222.75	3192.75	3200.00	3201.25	Microsoft	127111	1074	1069	1069
Financial	2697.42	2684.03	2692.50	2692.50	Apple	127111	1074	1069	1069
Real Estate	2697.42	2684.03	2692.50	2692.50	Google	127111	1074	1069	1069
Commodities	2697.42	2684.03	2692.50	2692.50	Facebook	127111	1074	1069	1069
Energy	2697.42	2684.03	2692.50	2692.50	Amazon	127111	1074	1069	1069
Healthcare	2697.42	2684.03	2692.50	2692.50	Twitter	127111	1074	1069	1069
Technology	2697.42	2684.03	2692.50	2692.50	LinkedIn	127111	1074	1069	1069
Telecommunications	2697.42	2684.03	2692.50	2692.50	Slack	127111	1074	1069	1069
Consumer Goods	2697.42	2684.03	2692.50	2692.50	Dropbox	127111	1074	1069	1069
Consumer Services	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Media	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Real Estate	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Energy	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Healthcare	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
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Telecommunications	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Consumer Goods	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Consumer Services	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Media	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
Real Estate	2697.42	2684.03	2692.50	2692.50	Zoom	127111	1074	1069	1069
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Ruble's Fall Shrinks Russian Economy 4.6 %

Compiled by Our Staff From Dispatches

MOSCOW — The economy contracted 4.6 percent in 1998, its biggest decline in four years, the government said Thursday, as the plunge in the ruble's value depressed production and consumer demand.

The decline was greatest in agriculture, construction and financial services. The government forecasts a drop in gross domestic product of 1 percent to 3 percent this year, though analysts say it could be as much as 5 percent.

"The considerable drop in domestic demand and the fall in capital investment cuts companies' production levels," said Alexei Zabolotin, an analyst at United Financial Group in Moscow.

The ruble has fallen more than 70 percent since August, when the government defaulted on its Treasury

debt and stopped supporting the currency. At the same time, Russia's payment system broke down because many of the largest banks, which were the main holders of government bonds, could not meet their own obligations.

"The collapse of the payments system put producers, and a lot of investment planned for last year was put off," said Peter Westin, an economist at the Russian European Center for Economic Policy.

The ruble slipped Thursday, with the dollar quoted at 23.14 rubles on the Moscow Interbank Currency Exchange, according to Interfax, compared with 22.92 rubles Wednesday.

The ruble has continued to slip from the target level of 21.50 to the dollar set in Russia's 1999 spending plan, which due for its fourth and

final reading in Parliament on Friday.

Meanwhile, the government tried to save the Kremlin's expense account from deep cuts on the eve of the budget's final hearing.

The State Duma, the lower house of Parliament, will debate the spending package that provides for 474 billion rubles in revenue.

Last week, legislators seeking extra funds for social spending agreed to slash the Kremlin's \$40 million administrative budget by 40 percent.

In response, an angry President Boris Yeltsin threatened to veto the draft. (Bloomberg, AFP)

Trims Made in Aeroflot

OAO Aeroflot, Russia's national carrier, said workers had approved a change in management after a decline in international passenger

traffic last year, Bloomberg News reported.

Aeroflot employees, who hold a 25 percent stake in the airline and are entitled to a voice in management changes, agreed to a shuffle proposed by the company in mid-January, including cutting the number of deputy general managers to two from six.

Aeroflot reported a 14.1 percent decline in the number of passengers on its international flights last year.

"They clearly have a pretty complicated structure with a lot of people making decisions in the company," said Erik Witzerg, an aviation analyst at Brunswick Warburg brokerage in Moscow.

"It could be that they are trying to make it easier to steer."

The government is planning to sell part of its 51 percent Aeroflot stake.

Chief's Fate Spurs BMW Stock Price

Compiled by Our Staff From Dispatches

FRANKFURT — Bayerische Motoren Werke AG shares rose sharply Thursday amid reports that the company's chief executive may be replaced, opening the way for the disposal of Rover Group, the company's unprofitable British unit, or even the sale of the whole company.

The German publications Handelsblatt and Borsen-Zeitung reported that Bernd Pichler would be replaced Friday by the company's supervisory board. The board has grown tired of waiting for him to bring Rover back to profit, the papers said.

Wolfgang Reitzle, BMW board member and chief of marketing and development, was Mr. Pichler's most likely successor, Handelsblatt said, citing what it called "good sources" at the company.

In December, the newspaper Die Welt said Mr. Reitzle had resisted Mr. Pichler's plans to put him in charge of Rover since he did not want to be held responsible for continued lack of success at the unit.

BMW shares rose 45 euros (\$50.83) to close at 659 on Thursday.

Rover has not earned a profit since BMW bought it for \$1.2 billion in 1994.

Elsewhere Thursday, General Motors Corp. denied a report in a Belgian newspaper Thursday that it was interested in an alliance with BMW.

Separately, Fiat SpA said it had ruled out making another offer for Volvo AB after the Swedish company rejected its offer of more than \$13 billion.

"We are not interested in buying Volvo," said Alberto Masero, chief spokesman for Fiat. Volvo has said that it did not receive a concrete offer from the Italian company.

(Bloomberg, Reuters)

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
5000	6100	4400
5500	5800	4100
6000	5500	3800
6500	5200	3500
7000	4900	3200
7500	4600	2900
8000	4300	2600
8500	4000	2300
9000	3700	2000
9500	3400	1700
10000	3100	1400
10500	2800	1100
11000	2500	800
11500	2200	500
12000	1900	200
12500	1600	0
13000	1300	0
13500	1000	0
14000	700	0
14500	400	0
15000	100	0
15500	0	0
16000	0	0
16500	0	0
17000	0	0
17500	0	0
18000	0	0
18500	0	0
19000	0	0
19500	0	0
20000	0	0

Very briefly:

- PepsiCo Inc. acquired a 77 percent stake in Egyptian Bottling Co., also known as Pepsi Cola Egypt, as part of an investment plan valued at \$400 million.
- Unemployment in the 11-nation European single-currency region was unchanged at 10.8 percent in December as slowing growth hindered job creation. In the 15-nation European Union, the rate was 9.8 percent, unchanged from November.
- Bank Austria Creditanstalt AG and Credit Agricole Indosuez of France announced cuts in their operations because of changing market conditions. Bank Austria will close its international investment-banking unit and cut 60 jobs. Credit Agricole Indosuez will close its non-Asia emerging markets subsidiary and cut 200 jobs.
- Wolverhampton & Dudley Breweries PLC, a British beer maker, succeeded with its £289.3 million (\$473.9 million) bid for another British brewer Marston, Thompson & Evershed PLC.
- Audi AG's sales rose to a record 27 billion Deutsche marks (\$15.66 billion) last year from 22.4 billion DM in 1997. The luxury-car unit of Volkswagen AG added that 1999 would be another good year for growth.
- The Royal Automobile Club of Britain said Centand Corp. of the United States had abandoned plans to buy its RAC Motoring Services arm for £450 million after the British government imposed tough antitrust conditions.
- Akzo Nobel NV of the Netherlands will buy the prescription-drug business of the Japanese cosmetics, pharmaceuticals and fibers maker Kanebo Ltd., doubling its drug business in the world's second-largest market for pharmaceuticals. Terms were not disclosed.

Bloomberg, Bridge News, Reuters

Executive Killed In South Africa

Compiled by Our Staff From Dispatches

JOHANNESBURG — The head of Daewoo Corp.'s regional headquarters in South Africa was shot to death in a Johannesburg suburb, the South Korean company said.

The executive, Kwang Yang Koo, 50, was found dead Wednesday in a car at a parking lot near his home, said a spokesman for Daewoo Corp., trading arm of the Daewoo conglomerate.

The killing revived worries that foreign investors would steer clear of a country in the midst of a crime wave that has made carjackings in Johannesburg a daily occurrence.

A team of four Daewoo executives from the South Korean offices of the conglomerate arrived to review the situation, a Daewoo Motor SA executive said Thursday. Daewoo has insisted that it will stay in South Africa.

Evidence suggested that the crime was not an ordinary carjacking, the police said. The killer did not take Mr. Kwon's wallet, cellular phone or other valuables. But the police did not provide other possible motives. (Bloomberg, AP)

Restructuring Bolsters 1998 Profit at ABB

Compiled by Our Staff From Dispatches

ZURICH — ABB Asea Brown Boveri Ltd. said Thursday its profit rose 11 percent last year as income climbed at most of the Swiss-Swedish conglomerate's operations and as it benefited from a restructuring program.

Net profit rose to \$1.31 billion for the year from \$1.18 billion a year earlier, despite a 1.3 percent drop in sales to \$30.87 billion.

Operating earnings were strong in power generation, power transmission, energy and financial services. Earnings declined in automation be-

cause of a cyclical weakness in demand in certain industries, the company said.

ABB is reshaping its activities with an increased focus on sectors offering opportunities for stronger growth and profit. As part of this effort, the Stockholm-listed holding company that shares control of the conglomerate last month sold its 50 percent stake in the railway joint venture Adtranz to its partner, DaimlerChrysler AG. It also acquired the Dutch technology company Elsas Bailey Process Automation NV last year.

ABB said the boards of the holding companies, ABB AB and Zurich-listed ABB AG, had agreed to consolidate the current four classes of stock, each with different voting rights and nominal values, into a single class.

The chief executive officer, Goran Lindahl, said the plan would make the stock more liquid and simplify ownership and voting structures. The company said it expected orders, revenue and net income to rise in 1999 despite a "difficult" economic environment.

(Bridge News, AFP)

Stakis Bets That Bid Is Takeover Move

Compiled by Our Staff From Dispatches

LONDON — Stakis PLC, a British hotel and casino company, said Thursday it had received a bid that may lead to a £1.1 billion (\$1.8 billion) takeover offer.

Stakis would not say who had tendered the bid, but analysts said it was probably Ladbroke Group PLC. A Ladbroke representative declined to comment on what she described as a market rumor.

But analysts said Ladbroke, Britain's largest bookmaker, with 1,900 shops, is eager to buy after two failed expansion moves in the past year. Ladbroke's proposed acquisition of the Coral chain of 827 betting shops was blocked by the government in September as anti-competitive. In March, Ladbroke was outbid by Bess PLC, the British brewer and leisure group, for the Inter-Continental Hotels & Resorts chain.

"It's a great company, and I think this is a low price," Fraser Ramzan,

an analyst at Lehman Brothers, said of Stakis.

Stakis owns about 50 hotels including the London Metropole, 22 casinos and 63 LivingWell health clubs. In its latest year, Stakis's profit rose 20 percent, to £56.6 million.

Ladbroke, which owns the Hilton Park Lane and Langham Hilton in London, has 169 Hilton hotels worldwide and owns the Hilton Hotel brand outside the United States. (Reuters, Bloomberg)

WORLD STOCK MARKETS

Thursday, Feb. 4

Prices in local currencies

In euros for EMU countries.

Tollers

High Low Close Prev.

Amsterdam

ASX Index: 3272.12

High Low Close Prev.

Frankfurt

DAX Index: 3872.25

High Low Close Prev.

Helsinki

HEX General Index: 2993.15

High Low Close Prev.

London

FT-SE 100: 3929.90

High Low Close Prev.

Madrid

IBEX 35: 3484.80

High Low Close Prev.

Montreal

TSX 300: 3577.77

High Low Close Prev.

Oslo

OSEX: 3022.25

High Low Close Prev.

Paris

CAC 40: 4182.40

High Low Close Prev.

Shanghai

SSE: 10,129.40

High Low Close Prev.

Singapore

SSE: 2,229.40

High Low Close Prev.

Stockholm

SSE: 1,212.40

High Low Close Prev.

Sydney

ASX 200: 3,577.77

High Low Close Prev.

Taipei

TSE: 10,129.40

High Low Close Prev.

Tel Aviv

TAEX: 1,212.40

High Low Close Prev.

Tokyo

Nikkei 225: 14,848.50

High Low Close Prev.

Toronto

TSX 300: 3,577.77

High Low Close Prev.

Wellington

NZSE 100: 2,212.40

High Low Close Prev.

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High Low Close Prev.

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SSE: 1,212.40

High Low Close Prev.

Sydney

ASX 200: 3

The 2,300 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.
The Associated Press.

Stock	On	Off	PF
1000	1000	1000	1000
1001	1001	1001	1001
1002	1002	1002	1002
1003	1003	1003	1003
1004	1004	1004	1004
1005	1005	1005	1005
1006	1006	1006	1006
1007	1007	1007	1007
1008	1008	1008	1008
1009	1009	1009	1009
1010	1010	1010	1010
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INTERNATIONAL INVESTING

Stock Splits Offer Quick Rewards, but for How Long?

By Tim Smart
Washington Post Service

WASHINGTON — The recent flurry of American companies declaring stock splits presents investors with a familiar quandary: buy, hold or sell?

It is a question more shareholders are asking these days as the companies announcing splits since the beginning of the year include a Who's Who of Corporate America, among them International Business Machines Corp., America Online Inc., Intel Corp., Pfizer Inc., Microsoft Corp. and McDonald's Corp.

When companies split their stock, they typically double the number of shares outstanding, which effectively halves their price. A \$100 stock then becomes a \$50 stock going forward, though the shareholder has

twice as many shares of the \$50 stock than he did of the \$100 stock. "A split is really two fives for a 10," said Arnold Kaufman, editor of the Standard & Poor's Outlook newsletter.

Common market lore has it that companies that split their stocks — usually in the name of making them more affordable to the average investor — often enjoy a small bounce in their stock prices. In effect, they get a free boost to their share price and please their shareholders in the process.

Microsoft stock rose 3.6 percent after its Jan. 25 announcement of a split, while McDonald's stock jumped 4 percent on Jan. 26 after it declared its split.

Faith in this notion has prompted great interest among investors in

predicting splits, as reflected in the on-line Web sites and newsletters devoted to the task. Even established investment newsletters such as S&P's Outlook publish lists of companies expected to split their stocks soon.

Many investors continue to anticipate splits in stocks in hopes of a quick profit.

But the story is not so simple. While the research is inconclusive and even contradictory, the evidence seems to be that stock prices do increase after splits are announced — but they rise more beforehand.

The reason could be that investors are anticipating which companies will split their stocks. Or it could be that the companies that split their stocks, Microsoft being a prime example, are doing so because their stocks have increased so much in value.

"Long lines that stretch out the door at a restaurant don't necessarily mean the food is good," said David Ikenberry, a Rice University professor who wrote a 1996 study on stock splits. "It's because the food is good that there are long lines out the door."

Mr. Ikenberry found that companies saw their stock prices rise an average of 3.38 percent within days after announcing a split and gains of as much as 12 percent higher than comparable nonsplitting firms in the first year after the split. But his study also found that splitting firms had

already enjoyed increases in their share prices averaging close to 75 percent in the year before the split.

A more exhaustive study last year, conducted by a University of Western Ontario professor, Craig Dunbar, came to a different conclusion. Tracking stock splits from 1929 to 1988, Mr. Dunbar discovered that after the first-year rise, returns of companies that split their stocks trailed those of other companies. Neither study, though, included splits occurring in the 1990s.

Nonetheless, many investors continue to anticipate splits in hopes of a quick profit. Some hot tips, courtesy of S&P and other market watchers, include Cisco Systems Inc., whose stock is up 164 percent over the past year and trading close to its all-time high, and Lucent Technologies Inc., up 146 percent in the past 12 months.

"People are anticipating good earnings and also a stock split" in some high-tech companies that have seen huge gains in their share prices, said Eric Aafed, president of StockSplits.net, an on-line service that attempts to herald upcoming splits.

Both Cisco and Lucent have stock prices of more than \$100 a share. Cisco was at \$105.9375 in midday trading Thursday, while Lucent was at \$105.5625.

Market strategists say companies like to avoid having their stock trade at three-digit prices because it tends to dissuade individual investors from purchasing it. By splitting two for one, a \$100 stock immediately becomes a \$50 stock, and the investor has twice as many shares. Although nothing fundamental has changed, psychologically the investor feels as if he or she has a higher stake in the company after a split, analysts say.

Companies like to have individual investors buy their stock, analysts say, because they are more loyal than institutional investors, who often move in and out of a stock based on the news. The broader ownership increases the liquidity of the stock, allowing trading to occur over a wider shareholder base, and it also allows companies to tap a larger pool when raising capital.

Very briefly:

• Charles Schwab & Co., a brokerage firm, said private investors in Britain had traded more than \$100 million (\$163.8 million) of stock through its Internet dealing services since its launch last June.

• Fidelity Investments will let customers who make at least 36 stock transactions a year trade stocks using a two-way pager and its three-month-old InstantBroker service. For \$49.95 a month, traders can send orders for certain U.S. stocks directly to Fidelity's processing center and receive a confirmation in seconds, the company said.

• SEI Investments Co., a U.S. company expanding its global fund-management business, became the first foreign institution to control a company in South Korea's fledgling mutual-fund industry. SEI will pay \$6.1 billion (US\$3.3 million) for 50.1 percent of Asset Korea Investment Trust Co. in a rights offering.

• SmartTone Telecommunications Ltd. of Hong Kong said its "SmartTrade" service would allow people to trade Hong Kong-listed stocks through their mobile phones in as many as 88 countries.

Bloomberg, Reuters

Investor's Departure Rattles Taiwan

Stocks Fall as Businessman Heads to U.S., Seeking Help on Debts

Compiled by Our Staff From Dispatches

TAIPEI — The stock market fell sharply Thursday after a debt-ridden lawmaker and businessman left for the United States to seek financial help, spurring worries that other investors would default on debts.

The benchmark Taiwan Stock Exchange weighted index fell 3.99 percent as investors dumped shares in panic selling sparked by reports that the businessman, Liu Ping-wei, had left for Los Angeles after writing checks for millions of dollars without funds to cover them.

Mr. Liu, a lawmaker from the governing Kuomintang whose family owns the Hai Shan group, which has interests in more than 20 companies, reportedly issued checks for 126 million Taiwan dollars (\$3.9 million) that bounced this week.

Mr. Liu has admitted financial troubles — with liabilities estimated at 1 billion to 2 billion dollars — after suffering investment losses and spending massively in his elec-

tion campaign. "What's happening with the Liu just made investors more nervous," said Fred Lin, a fund manager at China Securities Investment Trust Co. "They don't know how many more businesses are in trouble."

Taiwan's benchmark stock index has fallen 14.1 percent this year, making it the worst performer among major Asian stock indexes, amid a spate of bounced checks and defaults on stock trades.

Investors, often linked to the companies whose shares they bought, have defaulted on more than 6 billion dollars in trades in the past four months.

Several property and construction-linked business empires have stumbled after companies or their directors borrowed too much and guaranteed those borrowings with stock and property. They often then tried to prop up share prices by buying stocks.

"Stock declines since last year

eroded people's wealth, slashing demand for houses and business property," said Grace Lee, manager of the New Technology Fund at Jardine Fleming Investment Trust Co.

Mr. Liu and his family arrived in Los Angeles on Thursday. Times of Taiwan said Mr. Liu was seeking help from his father, Lin Shun-tien, who manages the financial operations of the Liu family and has already flown to Los Angeles.

"I will try to get some help from several friends to avoid further speculation about me," the lawmaker said in remarks reported by the Taiwan news media, pledging to return to Taiwan shortly.

Liu Ping-wei's brother Liu Ping-chung, the former chairman of a technology company, Advantech, has also issued checks totaling more than 100 million dollars that were backed by insufficient funds, newspapers said. (AFP, Bloomberg)

Bailout Plan

Despite appeals from numerous banks to get banks to form a rescue fund, the government has not yet agreed to a plan to bail out the banks. The government has not yet agreed to a plan to bail out the banks. The government has not yet agreed to a plan to bail out the banks.

He brushed off suggestions that the close link between the family and Mr. Hsu was a factor in the rescue of the bank. "The bank is large, then so is the sector," Mr. Hsu said.

Sahni Sabarwal, governor of the central bank, said the 12 banks had been chosen as the initial group for recapitalization because they fulfilled the criteria for recapitalization. He brushed off suggestions that the close link between the family and Mr. Hsu was a factor in the rescue of the bank. "The bank is large, then so is the sector," Mr. Hsu said.

Japan Cuts Down On Racketeers

TOKYO — The number of corporate racketeers in Japan fell by a third last year, according to police statistics. The number of corporate racketeers in Japan fell by a third last year, according to police statistics.

The number of racketeers was about 1,000, down from about 1,500 a year earlier, police said. The number of racketeers was about 1,000, down from about 1,500 a year earlier, police said.

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Michael Jordan going to the basket to score against the Utah Jazz in the finals last year as the Chicago Bulls won the title.

Life Without Jordan: NBA Looks to New Lures

Return to Team Rivalries and Emergence of Many Young Stars Are Expected to Keep Fans Happy

By Mike Wise
New York Times Service

NEW YORK — The job of resurrecting the National Basketball Association's image — and of purging the taint of a destructive lockout from the public's consciousness — is no longer Michael Jordan's responsibility. While the rest of the league works to regain its identity, Jordan will be busy planning a golf outing this June. The retirement of the game's best player and premier attraction not only ended the championship run of the Chicago Bulls, but also produced a feeling of trepidation about where the NBA goes from here.

"We need to sell basketball," said Lenny Wilkens, the Atlanta coach. "Michael was great for our league, but the league will survive and it will survive when all of us are gone. Whomever emerges as the torch bearers, let them emerge on their own."

Wilkens echoes the general perception among players, coaches and league officials, who maintain that there is no one player waiting to take Jordan's place. Instead, a handful of young stars and a return to team rivalries are seen as the way to renew fan interest.

The first gauge may be the unpredictable, seat-of-the-pants season that begins Friday. Like a lot of desperate teams after the lockout ended, it was thrown together in three weeks. Fifty games will be played over 90 days, a grind that raises concern over injuries and quality of play.

But at least Jordan left a going-away present: Twenty-eight other franchises have a chance to win a title, which accelerates the healing process in runner-up cities such as

Indianapolis and Salt Lake. The Pacers and the Jazz, on talent and experience alone, seemed headed for a finals showdown.

Larry Bird, in his second year, is relying on the same core group — Reggie Miller, Rik Smits and Mark Jackson — that came within a game of beating the Bulls last season. In Utah, Karl Malone and John Stockton are still shaking their heads over the last 40 seconds of Game 6, when Jordan stole Utah's soul and led Chicago to its sixth title in eight seasons.

Since that summer night in Salt Lake City last June, the league has undergone a striking transformation: "Scone Pippen left Chicago to team with Hakeem Olajuwon and Charles Barkley in Houston to form a legends-in-their-own-time front line."

Latrell Sprewell went from a suspended, troubled Golden State Warrior to a rejuvenated Knick, expected to help Patrick Ewing get a championship ring before the 36-year-old center's knees crumble. "Indicative of tough times, Dennis Rodman is looking for a job, although Miami, Orlando and the Lakers have shown interest."

Nowhere will the changes be more evident than at the Delta Center in Utah on Friday, where the Jazz play host to the Bulls on opening night in what hardly amounts to a rematch of last season's final.

Tim Floyd takes over for Phil Jackson in Chicago and is one of seven new coaches, including Paul Westphal in Seattle and George Karl in Milwaukee. Floyd is not presiding over the defending champions as much as he is figuring out how to stay out of the Central Division basement.

With Jordan, Pippen, Steve Kerr, Luc Longley and Rodman gone, the forecast is grim in Chicago. Ron Harper and Toni Kukoc are the only returning starters. Bill Wennington was the lone free agent offered a contract. The Bulls' banner days are far behind.

The Pacers seem poised to take over. Yet with so many Eastern Conference teams undergoing facelifts, parity might kill Indiana's chances of securing the best record in the league, and home-court advantage throughout the playoffs.

New York finally gave up on the old guard of Charles Oakley and John Starks and wagered on the talent and baggage of Latrell Sprewell. Sprewell, who has not played a regular season game in 14 months following his suspension for choking his coach, P.J. Carlesimo, in December 1997, became the most controversial acquisition of the off-season.

The New Jersey Nets, despite preseason injuries to Kerry Kittles and Rony Seikaly, have enough talent to contend for the Atlantic Division title.

Atlanta still has its nucleus intact, and the Hawks added the former Nugget LaPhonso Ellis through free agency.

Antwone Hardaway is finally healthy again in Orlando, where the Magic acquired Isaac Austin and remain in the hunt for Rodman.

Young legs in Cleveland give the Cavaliers hope. And now that Washington has re-signed Rod Strickland, the

Wizards appear playoff-bound. Out West the competition is not as keen. The Lakers, who are searching for a complement to Shaquille O'Neal in the post (Rodman is a possibility), appear all grown up. But then, that's what everyone said last year before the Jazz swept them away in the conference finals.

Houston, Seattle and San Antonio represent the only other great threats to Utah's chances of a third straight trip to the finals. So-so backcourts hurt the Spurs and Rockets, while the soft Sonics are in desperate need of a rebounder with a oazy disposition.

A lot of people are predicting Utah and Indiana because of their experience and being there in the past, but I honestly think Los Angeles, San Antonio and maybe Miami have as good a chance as anybody," said Karl, who has resurfaced in Milwaukee after being fired by Seattle. "When May comes around, I think we are going to have at least one surprise."

There is mystery over who will win the title again. And that in itself is almost as tantalizing as, well, watching Jordan play. Many in the league pine for the days of Bird's Celtics and Magic Johnson's Lakers, the last NBA team rivalry that captured the country's imagination. The personality-driven league that has emerged over the last decade make a return to those times seem all but impossible.

The pressure is on players like Grant Hill, Kobe Bryant, Tim Duncan, Keith Van Horn, Stephen Marbury, Kevin Garnett, Allen Iverson and especially O'Neal to take the league into the next millennium. It is an arduous task. You not

only have to lead your team to a title, but you have to smile wide for the cameras and be amenable to the marketing possibilities. You not only have to perform midair artistry with the basketball, you need to care enough about the sport to work out during the off-season.

"I don't think that we should drop the burden on them that they have to carry the NBA, because they don't," Wilkens said. "People forget when Michael came in his first couple of years, no one dubbed him as a torch bearer, but he did. I think we need to let Kobe and we need to let Grant mature into those positions."

The commissioner, David Stern, said, "The challenge is for each of them to push their team to victory, that's the challenge."

As to what kind of season to expect, no one is sure. For the first time in 10 years, teams will occasionally be playing three games on three consecutive nights — which will eliminate many practice sessions. Some players, such as Shawn Kemp, are too much in the extended off-season. They are trying frantically to shed pounds before the opener.

Overweight All-Stars. Conditioning and chemistry kinks. And, finally, no Jordan to bail out his team, the networks and, basically, the league.

Some new era. "If you do win a championship," Karl said, "I don't think anyone should put an asterisk on the side and say it was not a full season and Michael wasn't playing."

"I think it is a great opportunity for every team now to say, 'Michael's not in there now, it's wide open.'"

A Look at the Teams as the Season Tips Off

The Knicks Look Good, While the Bulls Are the Marlins of Basketball

By Mike Wise
New York Times Service

Here is a division-by-division preview of the strike-shortened National Basketball Association season, which opens Friday. The teams are previewed in the order of their expected finish.

Eastern Conference

Atlantic Division

NEW YORK KNICKS The wish list is long: Latrell Sprewell wants his reputation back, Patrick Ewing wants to recapture his timing and wind, and Jeff Van Gundy, the coach, is begging for anyone to rebound. Even with an overhauled roster, the most important component for the Knicks to get out of their second-round rut is the continued rise of Allan Houston to All-Star level. If he is that good and Van Gundy makes his players jell, the Knicks will meet the Pacers in the Eastern Conference final.

Additions: G Sprewell, F Marcus Camby, F Kurt Thomas, F Dennis Scott. Key losses: F Charles Oakley, G John Starks, F Chris Mills.

NEW JERSEY NETS By June, Keith Van Horn could develop into the New York area's best NBA player, and Jayson Williams may dethrone Dennis Rodman as the league's rebounding leader. Preseason injuries to Kerry Kittles and Rony Seikaly will stall the Nets for a while, but they have too many young legs and too much offensive talent not to be a conference finals contender.

Additions: C Jim McIlvaine, G Eric Murdock. Key loss: G Sherman Douglas.

MIAMI HEAT For Pat Riley, it is Year Four in Miami. To keep selling the program to players, Riley has to take the Heat further than the first round of the playoffs. Alonzo Mourning and Tim Hardaway need help from a shooting guard, where Voshon Lenard will be out for two months with a broken shin. Riley's refusal to pull the trigger on any off-season deals means one of two things: He believes the talent he has will vault the Heat past the Knicks and Pacers or he is still waiting for the right player to fall into his lap before the trading deadline.

Additions: F Clarence Weather- spoon, G Terry Porter. Key losses: G Brent Barry, G Eric Murdock.

ORLANDO MAGIC The signing of Isaac Austin gives Chuck Daly a decent center. The team is still in the hunt for Dennis Rodman. Throw in Bo Outlaw and Horace Grant, and that's a bona fide front line. Antwone Hardaway is finally healthy, Nick Anderson has got his confidence back, and the only weak link may be depth in the backcourt. Whether Hardaway is still one of the game's 10 best players may mean the difference between the second round of the playoffs and the lottery.

Additions: C Isaac Austin, G Doug Overton, C Michael Doleac (draft, No. 12, Utah), F Matt Har-

pring (draft, No. 15, Georgia Tech). Key losses: F David Benoit, G Derek Harper, G Mark Price.

WASHINGTON WIZARDS Now that Rod Strickland has re-signed, the Wizards have the league's best one-two combination at point guard and shooting guard. Getting Mitch Richmond in return for Chris Webber was worth the gamble. But the Wizards still need a quality center to give Juwan Howard help on the blocks. Washington is much better than it was a year ago and should make the playoffs.

Additions: G Richmond, F Otis Thorpe. Key losses: F Webber, F Harvey Grant.

BOSTON CELTICS Rick Pitino's frenetic, push-the-ball pace should create havoc the first weeks of the season. Antoine Walker recently signed on for the long haul, and Ron Mercer continues to mature as a player. But half-court execution is still a big question mark — as is a trip to the playoffs.

Additions: F Tony Battie, F Paul Pierce (draft, No. 10, Kansas), C Eric Riley. Key loss: C Travis Knight.

PHILADELPHIA 76ERS Allen Iverson has some decent pieces around him, especially with the acquisition of Matt Geiger. And bringing three first-round draft picks to camp should help. But the 76ers need a year of good chemistry — and an impact player — to reach the playoffs.

Additions: F-C Geiger, G Larry Hughes (draft, No. 8, St. Louis), F Harvey Grant, F George Lynch, C Mursad Turkan (draft, No. 18, Turkey), C Nazir Mohammed (draft, No. 29, Kentucky). Key losses: F Derrick Coleman, F Joe Smith.

Central Division

INDIANA PACERS They've been anointed favorites for two reasons: Michael Jordan retired, and the Indiana players ran sprints together during the lockout. Reggie Miller is now the game's best clutch shooter, and Sam Perkins was a nice pickup via free agency. But can Rik Smits and Mark Jackson hold up during a 50-game, three-month grind?

Additions: C Perkins, F Al Harrington (draft, No. 25, St. Patrick's High School, New Jersey). Key loss: C Mark West.

DETROIT PISTONS They re-signed Jerry Stackhouse and improved their front court with Loy Vaught and Christian Laettner, who are both rehabilitating from injuries. Grant Hill and Joe Dumars, expected to retire at season's end, won't stand for another losing record.

Additions: F Vaught, F Laettner, G Jud Buechler. Key losses: F Grant Long, F Malik Sealy.

MILWAUKEE BUCKS George Karl does not have as much to work with as he did in Seattle, but Terrell Brandon and Ray Allen are one of the league's best young backcourts. The question is whether Karl can get the Bucks to play aggressive defense.

Additions: G Dell Curry, F

Robert Traylor (draft, No. 6, Michigan), F Donald Royal. Key losses: C Andrew Lang, G Litteral Green.

ATLANTA HAWKS The Hawks rebuilt on the fly. The bad news is that the bench is once again cornstarch thin. Steve Smith, Tyrone Corbin, Alan Henderson, Mookie Blaylock and Dikembe Mutombo will have to play major minutes for the Hawks to return to the playoffs.

Additions: G Anthony Johnson, F Kebu Stewart, F Scot Pollard, F Roshown McLeod (draft, No. 20, Duke), C Mark West, F LaPhonso Ellis. Key losses: F Christian Laettner, G Eldridge Recasner.

CLEVELAND CAVALIERS Shawn Kemp, Cleveland's franchise player, reported at least 20 pounds (9 kilograms) overweight. In a short season, that may prove costly for a team that otherwise has all the components for returning to the playoffs. But too many teams on the same rung as the Cavs last season moved up a notch in the off-season.

Additions: F Johnny Newman, F Antonio Lang, G Litteral Green. Key loss: Scott Brooks.

CHARLOTTE HORNETS Derrick Coleman was the major signing, and if he is in shape, there is no telling how far Charlotte goes. But with Glen Rice lost for 25 games and Anthony Mason out for the season, the Hornets are another of those Eastern Conference teams that take a step backward.

Additions: F Coleman, F Chuck Brown, G Eldridge Recasner, F Chuck Person, G Ricky Davis (draft, No. 21, Iowa).

CHICAGO BULLS In less than a month, they've become the NBA equivalent of the Florida Marlins, a once-proud championship team unrecognizable by their new roster. Michael Jordan retired and the only starters back are Toni Kukoc and Ron Harper. So they're not world beaters any more. But they can still give Toronto a decent run.

Additions: G Brent Barry, F Mark Bryant, C Andrew Lang, G Corey Benjamin (draft, No. 28, Oregon State), F Roy Rogers, C Priest Lauderdale. Key losses: G Jordan, F Scone Pippen, F Dennis Rodman, G Steve Kerr, C Luc Longley, F Scott Burrell, G Jud

Jaren Jackson.

MINNESOTA TIMBERWOLVES Even after two and three seasons, respectively, Stephen Marbury and Kevin Garnett are still phenoms. But the departures hurt. If it wasn't Tom Gugliotta spurning the franchise for less money in Phoenix, losing Terry Porter and Sam Mitchell — veterans who talked to and nurtured the young stars — was also a blow.

Additions: F Joe Smith, G Bobby Jackson, C Dean Garrett, G Malik Sealy, C Radoslav Nesterovic (draft, No. 17, Italy). Key losses: F Gugliotta, G Michael Williams, C Cherokee Parks, G Porter, G Mitchell.

DENVER NUGGETS GM Dan Issel put a team with more structural problems than Mir back in playoff contention. Nick Van Exel and the return of Antonio McDyess make

Buechler, C Joe Kleine.

TORONTO RAPTORS They have some so-so pieces, but none of them fit together.

Additions: C Kevin Willis, F Charles Oakley, G Vince Carter, C Michael Stewart, G Michael Williams. Key losses: F Marcus Camby, F Gary Trent, C Sharone Wright, G Chauncey Billups.

Western Conference

Midwest Division

UTAH JAZZ Karl Malone and John Stockton often seem closer to retirement than to a championship, but they manage somehow to get the Jazz peaking by the playoffs. Utah went on an archeological dig for its off-season acquisition, jiggling up former Jazz forward Thurl Bailey. Jeff Hornacek, like Malone, is 35. They're old, cranky and, yes, still the best passing team in basketball. The Delta Center will finally play host to a championship party in late June.

Additions: F Bailey, Key losses: C Antoine Carr, F Chris Morris.

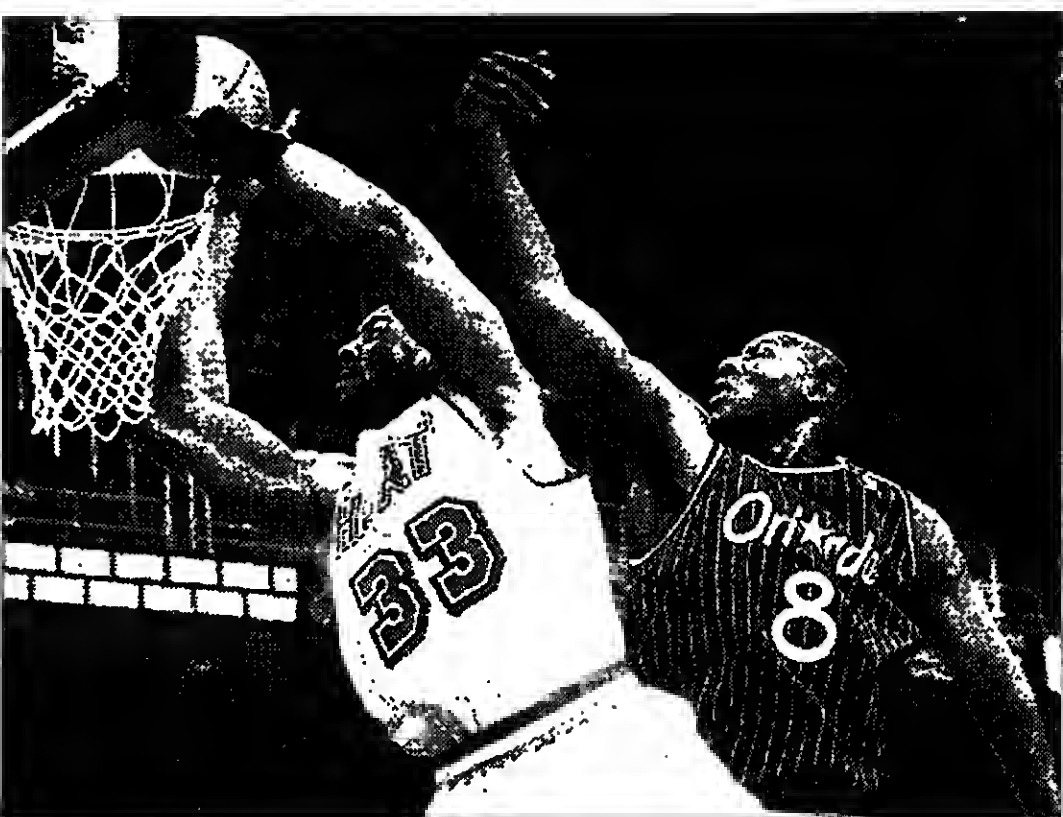
HOUSTON ROCKETS They lost one Hall of Famer (Clyde Drexler to retirement) only to bring in another (Scottie Pippen). Much depends on whether Pippen, Hakeem Olajuwon and Charles Barkley can get through the season injury-free. With three of the Top 50 players of all time, Houston may get back to the finals.

Additions: F Pippen, G Michael Dickerson (draft, No. 14, Arizona), G Bryce Drew (draft, No. 14, Valparaiso), C Antoine Carr, F Anthony Miller. Key losses: G Drexler, G Mario Elie, C Kevin Willis.

SAN ANTONIO SPURS On the surface, they upgraded their roster with Steve Kerr, Mario Elie and second-year point guard Antonio Daniels. But Tim Duncan and David Robinson still don't have an offensive-minded backcourt player to alleviate scoring pressure. They're deeper than a year ago, but getting past the Lakers and Utah is too much to ask.

Additions: G Kerr, G Elie, G Daniels, F Jerome Kersey. Key losses: F Chuck Person, F Carl Herrera, G Vinny Del Negro, G Jaren Jackson.

LOS ANGELES LAKERS Tired of the young kids getting uppity, GM Jerry West acquired veteran leadership. Ancient by point guard standards, Derek Harper's maturity could be more important than his minutes. Shaquille O'Neal and Kobe Bryant will try to resuscitate television ratings after the loss of you-know-who. The Lakers should reach the conference finals again. Whether they can get past



Miami Heat's Alonzo Mourning scoring against Orlando Magic's Isaac Austin in a tune-up game.

for one of the most lethal offensive combinations in the West. The rookie Raef LaFrentz will help at once along with the backup point guard Chauncey Billups.

Additions: F McDyess, G Van Exel, G Billups, F LaFrentz (draft, No. 3, Kansas), G Monry Williams, C Keon Clark (draft, No. 13, UNLV), F Johnny Taylor. Key losses: F Johnny Newman, F LaPhonso Ellis, F Harold Ellis, C Dean Garrett, G Bobby Jackson, F Tony Battie.

DALLAS MAVERICKS Dirk Nowitzki, the 6-foot-9 (2.06-meter) German forward who shoots the three-pointer, has impressed in two preseason games. Steve Nash was another good acquisition. The Mavericks have more talent, but chemistry will take a while.

Additions: G Nash, C Hot Rod Williams, F Gary Trent, F Nowitzki (draft, No. 9, Germany), F Kurt Thomas, F Bubba Wells, F Martin Muursepp.

VANCOUVER GRIZZLIES Locking up Shareef Abdur-Rahim through 2005 helped the Grizzlies, but putting the right pieces around him may take time. Bryant Reeves is improving and the rookie Mike Bibby will try to run the point guard position effectively. The Grizzlies remain on the periphery of the middle-echelon teams.

Additions: G Mike Bibby (draft, No. 2, Arizona), F Carl Herrera, C Cherokee Parks, G Felipe Lopez (draft, No. 24, St. John's). Key losses: G Antonio Daniels, F George Lynch.

Pacific Division

LOS ANGELES LAKERS Tired of the young kids getting uppity, GM Jerry West acquired veteran leadership. Ancient by point guard standards, Derek Harper's maturity could be more important than his minutes. Shaquille O'Neal and Kobe Bryant will try to resuscitate television ratings after the loss of you-know-who. The Lakers should reach the conference finals again. Whether they can get past

the Jazz is another story.

Additions: C Travis Knight, G Harper, G Tyrone Lue (draft, No. 23, Nebraska), G Sam Jacobsen (draft, No. 26, Minnesota). Key losses: G Van Exel, G Jon Barry.

SEATTLE SUPERSONICS Hersey Hawkins' consecutive starting string of 431 games — the league's longest current streak — is about to end. Coach Paul Westphal, back from NBA exile, is more comfortable with Billy Owens at the shooting guard. Gary Payton is better than anyone at his position, and Vin Baker is not far behind as a power forward. But the Sonics don't have the muscle to advance to the conference finals.

Additions: C Vladimir Stepania (draft, No. 27, Slovenia), F Owens, C Olden Polynice, F Don MacLean. Key losses: C Sam Perkins, G Greg Anthony, F Jerome Kersey, C Jim McIlvaine.

PORTLAND TRAIL BLAZERS They re-signed Arvydas Sabonis and Damon Stoudamire, and for the most part have rid themselves of their knucklehead image. Rasheed Wallace and Isaiah Rider can be combustible at times, but their talent is unquestioned. They are essentially the same team from last season.

Additions: G Greg Anthony, G Bonzi Wells (draft, No. 11, Ball State). Key losses: G Rick Brunson, G Gary Grant.

SACRAMENTO KINGS GM Geoff Petrie remade the franchise into a playoff team. The trade for Webber and the signing of Vlade Divac and Corliss Williamson give the Kings a formidable frontline. Throw in '97 draft pick Predrag Stojakovic and the rookie point guard Jason Williams, and Sacramento may be on its way back to the postseason.

Additions: C Divac, F Webber, G Williams (draft, No. 7, Florida), G Stojakovic (1997 draft, Greece), G Vernon Maxwell, G Kevin O'lie, G Jon Barry. Key losses: G Mitch Richmond, F Otis Thorpe, G Mahmoud Abdul-Rauf, C Olden Polynice, C Michael Stewart, F Billy Owens, G Anthony

Johnson.

PHOENIX SUNS When the top free agents went elsewhere, Phoenix was forced to pin its hopes on Tom Gugliotta, whose experience as a franchise player is nil. Luc Longley was a decent pickup, and Jason Kidd is developing into one of the game's best all-around players. But the Suns don't have the ammunition to go deep into the playoffs.

Additions: F Gugliotta, C Longley, F Pat Garrity (draft, No. 19, Notre Dame), C Joe Kleine, G James Collins. Key losses: F Antonio McDyess, G Kevin Johnson, G Steve Nash, F Mark Bryant, F Dennis Scott, C Hot Rod Williams.

GOLDEN STATE WARRIORS With the Sprewell saga behind them, the Warriors trudge out of the depths of the conference and return to respectability. Re-signing rebounder Jason Caffey was almost as important as making sure Sprewell didn't show up to training camp on opening day.

Additions: G John Starks, F Chris Mills, F Terry Cummings, G Antawn Jamison (draft, No. 4, North Carolina). Key losses: G Sprewell, F Clarence Weather- spoon, G Jim Jackson.

LOS ANGELES CLIPPERS Michael Olowokandi should show enough promise as the No. 1 pick to give hope to this moribund franchise. But until they begin making long-term, financial commitments to burgeoning All-Stars, the Clippers will have to drive to the Great Western Forum to catch the playoffs in L.A.

Additions: C Olowokandi (draft, No. 1, Pacific), F Brian Skinner (draft, No. 22, Baylor), G Scott Brooks. Key losses: C Isaac Austin, F Loy Vaught, G James Collins.

In the Eastern Conference finals, it will be Indiana over New Jersey.

In the Western Conference finals, Utah over the Lakers.

In the NBA finals, Utah over Indiana.

SPORTS

WORLD ROUNDUP

India Struggles

CRICKET Sajjan Mishtaq, a Pakistan spin bowler, took five wickets Thursday as India struggled to 247 runs for eight wickets in New Delhi on the first day of the second test. (Reuters)

Spurs Buy Sherwood

SOCCER Tottenham Hotspur has bought the midfielder Tim Sherwood, 30, from Blackburn Rovers for £4 million (\$6.5 million), the London club said Thursday.

Newcastle United has agreed to buy Silvio Maric, a Croatian international midfielder, from Croatia Zagreb for 10 million Deutsche marks (\$5.8 million), the Zagreb club said Thursday.

Luc Borelli, a veteran French goalie, died Wednesday. Borelli, who was 33, drove into the back of a truck on the highway from Paris to Lyon, where he was the backup goalie for Olympique.

Tamas Deutsch, the new sports minister of Hungary, on Thursday suspended officials of the national soccer federation, including president Attila Kovacs, for "breaches of law and illegal practices."

"We have found that at the very least 179,000,000 forints are missing," he said. The sum is equivalent to \$850,000. Kovacs said he had written to Sepp Blatter, the president of FIFA, world soccer's governing body, outlining "the political interference which is contrary to FIFA's statutes." (Reuters, AP, AFP)

Voice From the Wilderness

BASKETBALL Larell Sprewell, who will be playing his first game in 14 months, won't be the only person making a comeback Saturday when the Miami Heat play the New York Knicks at Madison Square Garden. Marv Albert will return from a 16-month absence to announce the game on the radio for MSG cable network. Albert was fired by NBC, the U.S. television network in September 1997 after pleading guilty to biting a former lover during a sexual encounter. (AP)

IOC Emerges Bruised From Drug Summit

LAUSANNE, Switzerland — No matter how hard they tried to claim victory Thursday, International Olympic Committee leaders could not disguise the reality: Their authority is eroding even further.

In a blunt rejection of the IOC's leadership role, the 15 European Union governments refused to accept a diluted final resolution at the world summit meeting on drugs in sport. It was a rude wake-up call for the IOC and its embattled president, Juan Antonio Samaranch, as they struggle to regain credibility in the wake of the Olympic corruption scandals.

"These issues are bigger than the IOC," said Tony Banks, the British sports minister. "It might come as a surprise to the IOC to find there is actually something bigger than the IOC, but there is."

The EU ministers expressed "reserve" about the document and said they would consult with their governments before making a joint decision. While the conference laid the groundwork for anti-drug initiatives, the resolutions fell far short of the tough, immediate action the IOC needed to reassert its legitimacy.

The IOC had to back off on the two main planks of the meeting: the creation of an international anti-doping agency and the imposition of mandatory minimum two-year suspensions for drug use.

"The IOC is too weak," said Roland Baar, a member of the IOC athletes' commission. "I hope the governments will do their jobs. Obviously, that is the only way."

The U.S. government, which had expressed serious reservations about parts of the IOC plan, voted for the revised package but offered only lukewarm support.

Barry McCaffrey, the coordinator of drug policy for the White House who had attacked the IOC's credibility and called for democratic reforms, described the final declaration as a "good first step."

In his closing news conference, Samaranch suggested that the White House was in no position to lecture the IOC. "We are very thankful he is so in-

terested in the IOC," Samaranch said, referring to McCaffrey. "But we also told him he had many problems in his own country on doping."

Samaranch claimed the IOC emerged "stronger" from the conference. But it was clear that the IOC would not win the leadership role it wanted in the proposed anti-doping agency, which will be discussed again at a meeting with sports and government leaders this spring.

The conference agreed to set up the agency, but details on the structure, mission and financing were put off for up to three months. Officials said the goal was to have the agency up and running before the 2000 Sydney Games.

Government officials refused to give the IOC a leading role in the anti-doping agency, which would supervise worldwide drug testing and policy on an initial \$25 million budget.

The chairing of that independent agency by President Samaranch would compromise it," Banks, the British sports minister, said. "It would not be independent."

But Samaranch and other IOC officials refused to rule out that he could head the agency. Samaranch said the decision would be made after a ruling council was set up by governments and the Olympic movement.

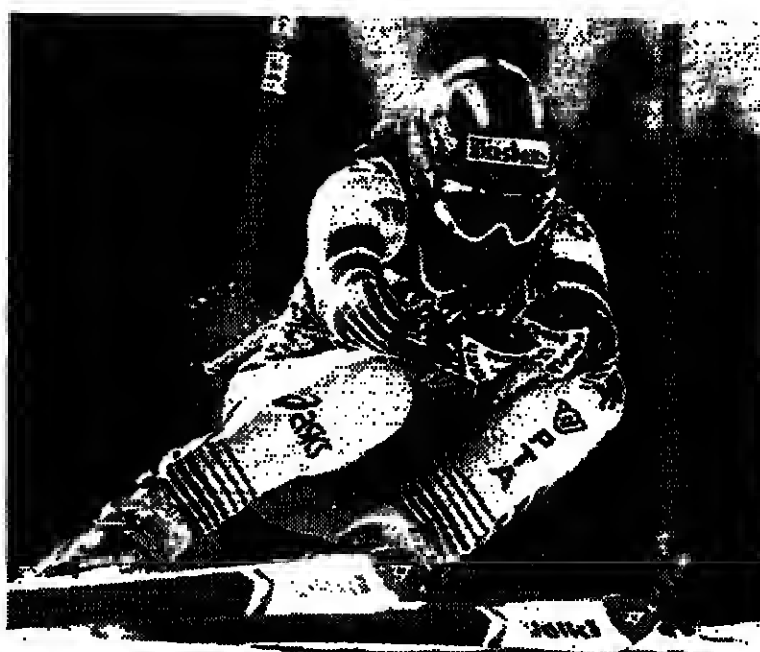
Dick Pound, an IOC vice president, said the committee was ready to give governments a 50 percent role in the agency — but would expect the governments to contribute financially.

"The governments must be prepared to put their money and efforts where their mouths are," Pound said.

On another contentious issue, the IOC was forced to accept provisions allowing each sport to ignore a minimum two-year ban on users of illegal drugs in cases where they find "exceptional circumstances."

Some of the biggest sports in the Olympics, including soccer, cycling and tennis, had argued that a two-year ban for a first drug offense never would hold up to legal challenges under right-to-work laws.

Mark Sisson, representing triathlon, said: "My concern is that the biggest winners from this doping conference are the lawyers of the world."



Alexandra Meissnitzer zooming past a gate en route to a victory.

Austrian Women Sweep Super-G

VAIL, Colorado — Alexandra Meissnitzer led an Austrian sweep of the super-G on Wednesday in the World Alpine Ski Championships.

Meissnitzer overcame a tricky wind and a rolling, bumpy course to reach the finish in 1 minute, 20.53 seconds Wednesday, just .03 seconds

faster than teammate Renate Goetschl and .21 seconds ahead of Michaela Dorfmeister.

The sweep gave Austria five of the six medals awarded on the first two days of the event. Hermann Maier shared the gold with Lasse Kjus of Norway in the men's super-G on Tuesday, with Hans Knauss third.

A Lonely Basket Lifts Stanford

Stanford scored just one basket in the final 12 minutes but that was enough to beat California.

California led by five points with 3:30 left. Stanford then sank four free

Coast Conference) won its 17th straight.

No. 3 Cincinnati 82, Tulane 63 Ryan Fletcher made four consecutive baskets as Cincinnati (21-1, 8-1 Conference USA) won its 30th straight home game.

COLLEGE BASKETBALL
throws before Kris Weems sunk a three-point shot to give the visiting Cardinals a 57-55 victory.

The victory left Stanford 19-3 overall and 9-1 in the Pac-10.
No. 2 Duke 95, No. 7 Maryland 77 Shane Battier scored a career-high 27 points as Duke (22-1, 10-0 Atlantic

No. 25 Miami 73, No. 9 St. John's 70 In New York, Johnny Hensley scored 29 points and the Hurricanes (14-5, 8-3 Big East) outscored St. John's 14-3 over the final 5 1/2 minutes.

No. 21 Indiana 71, No. 11 Wisconsin 60 Rob Turner scored a season-high 22 points and Indiana (18-7, 5-5) held visiting Wisconsin scoreless in the final three minutes.

SCOREBOARD

ICE HOCKEY

NHL STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

CENTRAL DIVISION

NORTH DIVISION

WEST DIVISION

PACIFIC DIVISION

NORTH DIVISION

CENTRAL DIVISION

NORTH DIVISION

WEST DIVISION

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PACIFIC DIVISION

NORTH DIVISION

CENTRAL DIVISION

NORTH DIVISION

WEST DIVISION

BASKETBALL

U.S. COLLEGE SCORES

WEDNESDAY RESULTS

MEN

WOMEN

EURO LEAGUE

FOURTH ROUND, REPLAY

EUROPEAN PREMIER LEAGUE

CRICKET

INDIA VS. PAKISTAN

SECOND TEST, FIRST DAY

THURSDAY IN NEW DELHI

INDIA: 247 for eight.

PAKISTAN: 100 for four.

PAKISTAN: 100 for four.

INDIA: 247 for eight.

PAKISTAN: 100 for four.

PAKISTAN: 100 for four.

INDIA: 247 for eight.

PAKISTAN: 100 for four.

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INDIA: 247 for eight.

PAKISTAN: 100 for four.

Avalanche Still Rolling As Goalie Has 37 Saves

Patrick Roy made 37 saves as Colorado won its 10th straight game, extending the longest winning streak in the National Hockey League this season.

Rene Corbet scored two goals against Buffalo's All-Star goalie, Dominik Hasek, as the Avalanche beat Buffalo, 5-3, Wednesday night.

Adam Deadmarsh and Valeri Kamenyuk also scored for Colorado, and Sylvain Lefebvre added an empty-net goal in the final seconds.

Dixon Ward, Miroslav Satan and Curtis Brown scored for Buffalo, which fought back twice to tie.

Capitals 10, Lightning 1 Peter Boudra had four goals as Washington scored a team-record eight times in the second period to rout visiting Tampa Bay.

Canadiens 2, Canucks 1 Turner Stevenson scored twice in the second period to lead Montreal over visiting Vancouver, ending the Canadiens' three-game losing streak.

Devils 4, Hurricanes 1 Petr Sykora had two goals and an assist as New Jersey beat Carolina to win its NHL-leading 17th road game.

Panthers 5, Maple Leafs 2 Pavel Bure scored for the eighth time in six games since coming to Florida and Sean Burke made 34 saves as the Panthers beat visiting Toronto.

Red Wings 5, Islanders 1 In Detroit, Darren McCarty scored two goals and kept a physical attack that helped the Red Wings beat the New York Islanders.

Seawolves 2, Oilers 2 Bill Berg scored midway through the third period as Ottawa rallied from a two-goal deficit to gain a tie in Edmonton.

Highly Ducked 3, Blackhawks 0 Guy Hebert earned his 21st career shutout and Ruslan Salei assisted on goals by Paul Kariya and Matt Cullen as Anaheim beat visiting Chicago.

NEW JERSEY—Signed F Scott Brundell, NEW YORK—Signed F Ronan Gaudet, NEW YORK—Signed F Ronan Gaudet, NEW YORK—Signed F Ronan Gaudet.

PHOENIX—Signed F Chris Morris to 1-year contract, WASHINGTON—Signed F Chris Morris to 1-year contract, WASHINGTON—Signed F Chris Morris to 1-year contract.

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POSTCARD

Lifesaver in Alaska

By Bruce Weber
New York Times Service

FAIRBANKS, Alaska — The ice was too cold. When the temperature sank under 30 degrees below zero here last week and bottomed out at 47 below zero through the weekend, an icy fog swaddled this city in a glowing soup. And the local sculptors who have dotted the city with angels and polar bears and other crystalline icons had to put away their chisels and hammers in local parlance — they use to fuse ice limbs to ice torsos and to make repairs.

It was cold even for Fairbanks; cold enough for a cup of coffee tossed in the air to freeze before the droplets hit the snow. Blocks of ice simply become too brittle and prone to shatter for the delicate shaving and whittling that a sculptor's work requires. Still, Kathleen Carlo-Kendall gave it a shot. With Anita Tabor, a wood sculptor who moved here from Arkansas 13 years ago, Carlo-Kendall, an Athabaskan Indian and mask maker, spent an hour or so on Saturday working on two large native-style masks. They did not make much progress, but it was a good workout.

And it was a good excuse to battle the cabin fever that many people say is a winter burden, brought on more by lingering darkness than by the cold. There are but seven hours of dim sunlight a day right now, up from little more than three hours at the winter solstice six weeks ago. "It's nice to get out of the house," Carlo-Kendall said. "I haven't been out in three days."

The arts have a tough row to hoe in this part of the world, a place where man's creations pale beside Mother Nature's, and particularly at this time of year when the world is dark, and the spirit can be too. Yet there may be no other place in the country where the arts serve such a practical function as they do in this surprisingly diverse (ethnically and artistically), brutally winterbound and isolated environment. Even if this is not a pretty town Fairbanks manifests a persistent and enduring interest in the arts. They not only bring people out into the cold and cheer the bleak landscape, but they are cited by many here, not outlandishly, as a reason to live.

"Suicide during this time of year runs a little high, and the arts have been a comfort," Mayor James Hayes said. "They play an integral role in this city. Without them, I don't know what we'd be." The state, with its notorious small-government bias, has cut back on arts subsidies in recent years; its support to the Fairbanks Arts Association diminished to just \$11,000 this year from more than \$65,000 in the early '90s. But the political isn't personal, said June Rogers, the executive director of the association, who notes that many of the budget-slashing legislators contribute generously to the arts from their own pockets.

Fairbanks maintains two dance companies, two art galleries, two community theaters (one performs original work, the other Shakespeare), a chorale and a light opera company that often sells out a 1,400-seat hall. "I look at all this grayness, and I think about depression and loneliness and all the things grayness can contribute to," Rogers said. "But you know, it is beautiful. I don't find it depressing. And I think that's what art can do for people here, give them another way to look at things."

By Michael Kimmelman
New York Times Service

NEW YORK — At the little-known Mercury Gallery in Boston, a mostly forgotten group of American artists from the 1930s is the focus of an exhibition that also turns attention to the group's sole surviving member, a painter named Joseph Solman.

Having just turned 90 last month, Solman is still painting in his cluttered studio above the Second Avenue Deli in the East Village of Manhattan, where he has worked more or less since Jackson Pollock was a new name on the American scene.

The show in Boston, which lasts through February, is about the Ten, as the group called itself, somewhat eccentrically, considering that there were only nine of them in the beginning. (The numbers changed over the years.) Solman, the youngest member, became something of a ringleader. He was a Works Progress Administration artist, and an editor, with Meyer Schapiro and Harold Rosenberg, of the progressive Art Front magazine.

The Ten also included Mark Rothko, who was still calling himself Rothkowitz at the time, and Adolph Gottlieb. Most of the other artists who belonged to the group are familiar today only to specialists or to an aging generation of art lovers with very long memories. During the 1930s, along with Rothko, Solman and the others, these artists had united as the Ten in opposition to what was then the American art establishment, meaning above all the Whitney Museum of American Art.

Conforming neither to the American Scene painting of Grant Wood and Thomas Hart Benton nor to Social Realism, they generally found themselves excluded from the Whitney's surveys of new American art. So they organized their own exhibitions, issued decrees, until they finally achieved recognition and were able to go their own ways.

As the show in Boston proves, they had never really shared a common style, just a common enemy, so their breakup was essentially predestined.

Their works were linked only by a general regard for European modernism, which was enough to distinguish them from the American mainstream and to make them seem virtual radicals at the time. It is easy to forget that the Museum of Modern Art was still new then.

Even its opening show of Seurat, Gauguin, Van Gogh and Cézanne — all long dead at that point — had come as a revelation to many Americans, including some of the Ten.

"I was stunned," Solman remembers. "I was opinionated but generous and essentially optimistic. It happens to have one of those infallible memories that allow him to remember exhibitions that took place 70 years ago."

He grew up in Queens. His father was a tailor. For \$10 a term, he got an art education at the National Academy of Design, but he likes to say that he learned more by sketching people on the subway.

His shows were steadily reviewed over the years; Art News published "Solman Paints a Picture" in 1951 as part of its famous series, and he acquired a good deal of respect among other painters. But for a long time, like most artists, he was not making a lot of money from his art.

So to make ends meet he taught and also worked half of each year as a part-time clerk at Aqueduct and Belmont. In 1964, when he showed some of the gouache portraits that he painted while commuting to the track, The New York Times called him a "pari-mutuel Picasso."

He started out by looking at Rembrandt and Rouault and painting pictures so murky that he said even he could not make them out. Then his taste, and palette, changed. He looked at Klee and Morandi. He painted still lifes and city scenes, with an inclination toward urban clutter, jauntily drawn. He became a distinctive and



The painter Joseph Solman in his Manhattan studio.

subtle colorist, particularly when he turned to portraiture, which, bucking fashion, he did increasingly after the 1940s. There was something of Modigliani and also of Daumier about his portraits. They looked both lean and expressive.

"Daumier I consider part of my lineage. Klee is my favorite. But Cézanne is the most important in the end because he taught humility through his persistent attempt to climb the mountain of realism, whether he was painting landscapes or people. Over all these years, I've never felt the need to go entirely abstract because there are just too

many things in the world, too many faces, that I want to paint."

So for Solman the mid-century debates over pure abstraction are still fresh. That period was a turning point for all American artists, but, having been on the cutting edge during the 1930s, he found himself facing a particular paradox. He and the Ten had prepared the way for precisely the changes that took place in American art by promoting European modernism and adapting it to an American situation; now the new American art, Abstract Expressionism, had replaced Scene painting as the establishment style, with Solman once again on the outside.

He seems without rancor, however. "The important point is that I was already a modern in 1935. I was addicted to the two-dimensional flat surface, which is the hallmark of the modern to me, as opposed to illusionistic space. And I was satisfied with what I was doing, so I didn't need new credos like pure abstraction."

Put differently, Solman continued to see himself as a craftsman, an artist grounded in tradition and experience, painting modern pictures, while the Abstract Expressionists went off in their direction, taking American art history with them.

What, we might ask, is the value of constancy or the cost of fashion? We can of course appreciate art without regard to the judgments of history, which has its own shifting standard. Solman is in many ways a paradigm of the American artist, which is not to say the American art star, during this fickle century.

Collectors now steadily buy his works for good money and, like many artists who can afford to do so, he has even been buying back some of his old pictures, which he sold years ago for a song. He exhibits regularly.

For the past several years he has been mostly drawing skyscrapers, turning their stepped-back silhouettes into jagged shapes flanking lighter, narrow passages. "What intrigues me is the space and color of the sky between the buildings, which I see when I ride the bus around twilight."

These are near-abstract images, although not really much more abstract than his work from the 30s, in which he reduced the city to similar zigzag forms, idiosyncratically disposed.

He remains, in other words, a modernist enthusiastically tethered to the world around him. "As I've said before, subject matter yields more poetry and drama and abstract tension than any shapes we can make up." Productive after seven decades, he is a prime example of the lifeblood of American art.

PEOPLE

THE London Critics' Circle has named Kevin Spacey best actor for his performance in a stage revival of Eugene O'Neill's "The Iceman Cometh." He had already received an Evening Standard Award for the role, and will reprise the part in New York this season. Sinead Cusack won for best actress ("Our Lady of Sligo"), Howard Davies for best director ("The Iceman Cometh") and "Flight" and Michael Frayn won for best play ("Copenhagen"). The Royal National Theatre's revival of "Oklahoma!" was honored as best musical. The Critics' Circle membership consists of leading newspaper and magazine theater critics in London.

John Glenn has signed with Bantam Books to write his autobiography, due out this autumn. Glenn, 77, the first American to orbit the Earth back in 1962, returned to space in October aboard the shuttle Discovery. The book will chronicle both flights, as well as the astronaut's 55-year marriage to Annie Glenn and his 24 years as a U.S. sen-

ator. "He has been working on it and kept diaries along the way," a Bantam spokeswoman said.

Julianna Margulies plans to hang up her "ER" scrubs next year. The actress, who plays a nurse, said she plans to leave NBC's emergency room drama after the 1999-2000 season and "go

back home to New York." "I'm homesick. I want to get back on the stage and do some independent films," Margulies said on "The Howard Mandel Show."

The solo album that Michael Hutchence, the star of INXS, was recording when he committed suicide will be released around the world in June, his

record label said. The 37-year-old vocalist was found hanged in a Sydney hotel room in November 1997. The album's release had been hampered by legal wrangles over the rights to the tapes. "It won't be seen as a tribute album or a legacy album," said Greg Johnson, general manager of the record label, V2. "I think when people hear it they'll understand what Michael was trying to achieve."

The comic-book heroes Asterix and Obelix, hailed as potential saviors of the struggling French movie industry, failed to work their magic as French critics savaged the duo's first outing into film. According to the reviews, "Asterix and Obelix Against Caesar," which opened this week, was a huge letdown. The most expensive French-language movie ever made, the 275 million franc (\$49 million) picture has a glittering cast headed by Gerard Depardieu and Roberto Benigni. But critics said too much attention had been paid to the special effects and settings and not enough to the script.



RECALLING AN ERA — The Iranian actor Reza Banafsheh portraying the shah of Iran in a television series marking the 20th anniversary of the Islamic revolution that toppled the imperial government.

India Grants Salman Rushdie a Visa

The Associated Press

LONDON — India, the first country to ban the book "The Satanic Verses," has granted a visa to its author, Salman Rushdie, for the first time since the 1980s, the BBC reported. Rushdie's lawyer collected the visa from the Indian High Commission in London on Wednesday, the radio said.

India, Rushdie's birthplace, banned "The Satanic Verses" after it provoked protests from Muslims in 1988, and in 1996 Rushdie's book "The Moor's Last Sigh" was withdrawn from bookshelves within weeks of its release.

The BBC quoted Rushdie's lawyer, Vijay Shankardas, as saying that Rushdie was pleased by the decision, and reported that Rushdie, who has British citizenship, could visit India within two or three months. Rushdie spent nearly a decade in hiding since Ayatollah Ruhollah Khomeini of Iran called for his death in 1989, claiming "The Satanic Verses" blasphemed Islam.



(take in a rock show)

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